
Finance and Resources Committee Meeting – 19 June 2008

BUILDING VALUATION REPORT – PUBLIC PAPER

Decision

The Committee is requested to note the document.

Background information

The firm of Stiles Harold Williams, Chartered Surveyors (“SHW”) provided a property valuation to the HPC as at mid April 2008. The valuation was provided on an open market valuation basis and based on a range of factors including; measured net internal floor areas, condition and fit out, premises layout, location, development (planning) restrictions, current market conditions and comparable property rentals and sales. SHW did not believe there was any difference between the existing use value and the market value.

The total market value quoted was £3.1M, comprising £1M land value and £2.1M buildings. The valuation includes an allowance for a purchaser’s costs of acquisition, but not for any expenses of realisation or taxation that may arise on disposal or acquisition. SHW also provided further land and buildings breakdowns for each of the three properties – refer s4.01 in Appendix One.

Points to note

1. Included in the impairment write down was a £280k correction made to the net internal area of 184 Kennington Park Road and 20 Stannary St premises. The valuation history of net internal floorspace of the three properties is provided in Appendix Two. This suggests that estimating net internal floorspace, which is a major contributor to the overall valuation, is inconsistent between valuers and for any given area of the site.
2. The Council approved the original purchase of the 22-26 Stannary St premises prior to May 2005, based on a plan to refurbish and connect it to the existing site.
3. It’s likely that the final bill for refurbishment work of 22-26 Stannary St Phase One will be within project budget.

Accounting impacts of the valuation

Because the updated market valuation was less than the sum of the net book value plus additions (Stannary St building refurbishment project costs), an impairment write down was actioned in the 2008 financial statements. To elaborate, the total impairment was £1,269,962 with £230,443 going through the revaluation reserve, reducing the revaluation reserve from £652,189 at the start of the year to £421,746. The remaining amount of £1,039,519 caused the retained deficit in the Income and Expenditure Account.

Date	Ver.	Dept/Cmte	Doc Type	Title	Status	Int. Aud.
2008-06-05	a	F&R	PPR	Insurance paper	Draft	Public
					DD: None	RD: None

Without the impairment adjustment, the results as at 31 March 2008 would show a small retained surplus. At 31 March 2008, the accounting reserves (effectively shareholders funds) had decreased to £1,424,746 (2006/07 £2,582,813).

Financial implications

Building Valuation of £3.5K

Appendices

Appendix One – Stiles Harold Williams Valuation Report 2008

Appendix Two – Floorspace comparison

Date of paper

9 June 2008



VALUATION REPORT

ON

**184 KENNINGTON PARK ROAD, LONDON SE11 4BU
20 STANNARY STREET, LONDON SE11 4AA
AND
22-26 STANNARY STREET, LONDON SE11 4AA**

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69 Park Lane, Croydon, CR0 1BY

T: 020 8662 2700

F: 020 8662 2701

E: bwatkins@shw.co.uk

PRIVATE & CONFIDENTIAL

Health Professions Council
Park House
184 Kennington Park Road
London SE11 4BU

Date: 22 April 2008

Our Ref: BPW

Your Ref:

For the attention of S Hall Esq

Dear Sir

CLIENT : HEALTH PROFESSIONS COUNCIL
PROPERTY: 184 KENNINGTON PARK ROAD LONDON SE11 4BU
20 STANNARY STREET LONDON SE11 4AA
22-26 STANNARY STREET LONDON SE11 4AA

In accordance with your instructions via email dated 18 February 2008 (See Appendix C), we have inspected the above properties in order to advise the Council on the freehold value of the offices as described above, for accounting purposes.

Our valuation has been prepared in accordance with the RICS Valuation Standards 6th Edition. We confirm that the valuer conforms to the requirements of the Practice Statements and is an external valuer as defined therein.

The date of valuation is the date of this report, and our valuation assumes full vacant possession. The property was inspected on 28 February 2008, and re-inspected on 15 April 2008, on both occasions, by Brian P Watkins BA (Hons) MRICS FCI Arb, and Neel Dilip BSc (Hons). Our inspection of the property and this valuation report are subject to our Conditions of Engagement attached to our letter of confirmation of instruction and within the body of this report.

We confirm that we have no other current or foreseeable fee earning relationship concerning the subject property apart from the valuation fee. The Council will be aware, however, that in terms of building surveying, this firm has had involvement with the property in the last two years, but the fees for which, are not dependent on the outcome of the subject valuation report.

Stiles Harold Williams has Professional Indemnity Insurance cover of £7,500,000 for any one claim.

This valuation, unless otherwise stated, is subject to the caveats and assumptions in appendices A and B, which form an integral part of this report.

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making property work from offices in London and across the south east

Stiles Harold Williams Limited Registered No. 3311644 (England) Registered office: 6 Babmaes Street, London SW1Y 6HD. A full list of directors is available at all offices.

1.00 EXECUTIVE SUMMARY

1.01 Location

The property stands in the increasingly popular area of Kennington, South East London; on the western side of the A3 Kennington Park Road, just north of its junction with the A23 Kennington Road. The property is within walking distance of the Oval cricket ground (to the south west) and Oval Underground station.

1.02 Description

The property comprises three contiguous buildings, with No.184 Kennington Park Road currently providing office space on basement, ground, first, second and third floors. The building as a whole has an 'L' shaped footprint, with 22 to 26 Stannary Street adjoining No.20 on its north-eastern side. The latter building has recently undergone refurbishment to provide ground and first floor office accommodation in the former light industrial building, with ancillary areas, primarily to the ground floor. Parts of the structure are early Victorian in origin, albeit with Nos. 184 Kennington Park Road and 20 Stannary Street having been substantially re-built in the last few years.

1.03 Basis of Valuation

Comparable method.

1.04 Market Value

£3,100,000 (Three Million, One Hundred Thousand Pounds)

The value is based on our measured areas for No.184 Kennington Park Road, No.20 Stannary Street and 22-26 Stannary Street.

1.05 Necessary Capital Expenditure

Nil, on the basis that all the current works to Nos. 22 – 26 Stannary Street are completed.

1.06 Suitability for Loan

The property would provide satisfactory security for a loan advance, were such a facility to be sought.

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- mentioned, is undergoing renovation for office use. The works are ultimately hoped to include the addition of a second floor to the building (subject to planning permission), although current works underway to the main fabric exclude such an addition. Elevations are in brick, with a varied roof line.
- 3.02 No.20 stands immediately behind No.184, forming a contiguous but narrow footprint; the two originally separate buildings being joined, according to the appropriate planning consent, at first floor level by an enclosed link bridge. The age of the front building is likely to be early Victorian, having undergone substantial reconstruction in recent years of the interior, but with the façade being retained to Kennington Park Road. No 20 is probably of a similar age and has also undergone similar works.
- 3.03 The bridge joining the two parts as described, emphasises the separateness of the two principal buildings, but permits both parts to be occupied as one by a single freeholder or tenant. The layout comprises basement, ground, first, second and third floors to No.184. 20 Stannary Street is arranged as ground, first/mezzanine and partial second floor. Each of the floors at first floor level and above, to the two buildings, are separate from each other. The large light well/garden thus formed, improves the natural light to the north eastern side of No.20 and the south western side of No.184.
- 3.04 The works to Nos. 22 – 26 included the addition of separate access points between No. 20 and Nos. 22 – 26 at both ground and first floor level, thus allowing for compartmentalisation. Constructed of brick walls, under a flat roof, behind a parapet wall, the footprint of No.26 is broadly rectangular with two separate access points from Stannary Street. The specification to Nos. 22-26 is of a similar high quality to that of No. 20 Stannary Street and No.184; being a fully refurbished building, comprising air handling and gas fired central heating, good natural light and false ceilings. Space has been provided at both ground and first floors for the installation of a lift, at a later date, which we assume will also serve the planned second floor (yet to obtain planning consent). Overall, we consider that the specification to Nos. 22-26 is better than that of the original buildings, as described, although the space as a whole has been refurbished primarily to suit the use of the Health Professions Council, rather than for speculative letting of the space into the general office letting market.
- 3.05 The front entrance of No.184 is approached via a shallow front forecourt to a flight of external stone steps leading to the reception area which, strictly speaking, is at raised ground floor level. Entrances to Nos. 20 & 22-26 are at ground floor/street level. Nos. 22-26 have two entrances at ground floor level; the primary entrance being a set of automated double doors in the middle of the front elevation, with a single side pedestrian door, to the right hand side of the main entrance. This produces a fragmented arrangement within the property as a whole. The change in street levels between the entrances in Stannary Street and Kennington Park Road produce a number of half floor levels within the building, which tend to emphasise the fragmentation of the building, despite the overall regular shape of the footprint to the three addresses as a whole. This leads to circumstances where a considerable amount of space within the building is lost, both to circulation space

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and stairways. The front part of No.184 Kennington Park Road, for example, is served by a principal staircase on the left-hand side, close to the front elevation, but further into the building, separate shorter staircases give access to other areas of the building. Whilst the circumstances of these arrangements help to maintain good natural light throughout the building, the gross to net ratio, as a whole, (amount of usable space compared to total gross internal space) would be regarded as relatively poor. Nevertheless, the overall impression within the building is of a layout which, whilst individual in its arrangement, produces a pleasing working environment.

- 3.06 There is no car parking with the property, although in our opinion this would not necessarily be a restriction on value, given that similar buildings in the area will have the same issue with which to contend. Car parking is available on-street in the area, but this is heavily controlled, particularly to Kennington Park Road. Stannary Street is altogether a much quieter location, very much being a residential/commercial side road in the area with on-street parking.



**FRONT ELEVATION OF 184 KENNINGTON
PARK ROAD LOOKING NORTH WEST
(SUBJECT PROPERTY TO RIGHT HAND SIDE
OF LAMP POST)**



STREET SCENE LOOKING SOUTH WEST



STREET SCENE LOOKING NORTH EAST



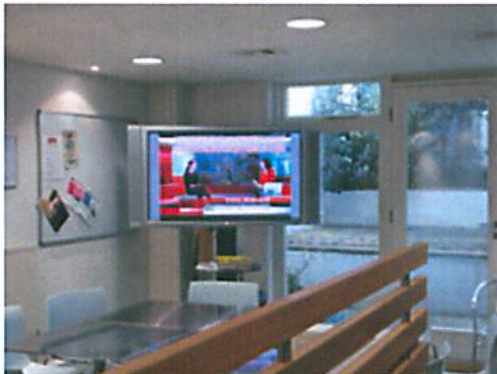
**REAR ELEVATIONS TO NOS. 20 – 26
STANNARY STREET LOOKING SOUTH**



QUALITY OF OFFICE SPACE



GROUND FLOOR RECEPTION AREA



ANCILLARY AREAS



QUALITY OF CIRCULATION SPACE WITHIN BUILDING



MEZZANINE OFFICE AREA



BRIDGE BETWEEN KENNINGTON PARK ROAD AND STANNARY STREET

184 KENNINGTON PARK ROAD, LONDON SE11 4BU
20 STANNARY STREET, LONDON SE11 4AA AND
22-26 STANNARY STREET, LONDON SE11 4AA



**REAR ACCESS FROM STANNARY STREET
INTO NO. 20 STANNARY STREET**



**QUALITY OF OFFICE SPACE TO UPPER
FLOORS OF NO. 184**



**GENERAL ROOF LINE LOOKING EAST FROM
NO. 20 STANNARY STREET**



**MAIN GROUND FLOOR CORRIDOR TO Nos.
22-26 STANNARY STREET LOOKING NORTH
TOWARDS STANNARY STREET**



**GENERAL VIEW OF GROUND FLOOR OFFICE
TRIBUNAL ROOMS/OFFICES**



QUALITY OF FIRST FLOOR OFFICE SPACE

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**SMALL ANCILLARY KITCHENETTE
TO FIRST FLOOR**

4.00 ACCOMMODATION

4.01 We have measured the property in accordance with the RICS Code of Measuring Practice (6th Edition) and we calculate the net internal floor area as follows:

184 Kennington Park Road			
Location	Description	Sq.M.	Sq.Ft.
Basement	Offices & Ancillary Areas	132.04	1,421
Ground Floor	Reception Area, Individual Rooms & Ancillary Areas	119.66	1,288
First Floor	Offices	75.31	811
Second Floor	Two Offices	75.31	811
Third Floor	Offices	75.44	812
Total		477.76	5,143

20 Stannary Street			
Location	Description	Sq.M.	Sq.Ft.
Ground Floor	Offices & Ancillary Areas	115.12	1,239
First Floor/ Mezzanine	Offices & Ancillary Areas	101.68	1,095
Second Floor	Offices	56.07	604
Total		272.86	2,937

22-26 Stannary Street			
Location	Description	Sq.M.	Sq.Ft.
Ground Floor	Offices and ancillary areas	138.43	1,490
First Floor	Open plan office area and ancillary kitchenette	193.46	2,082
Total		331.89	3,572
GRAND TOTALS		1,082.51	11,652

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- 4.02 The areas reported previously by Drivers Jonas, in their report of June 2006, are at variance with the above figures. We are lighter than Drivers Jonas on No.184 Kennington Park Road although we note their figures were provided to them, rather than measured on site. All our areas were measured on site and ignored circulation space and ancillary areas. On 20 Stannary Street, we have a similar area but on 22-26 Stannary Street, the area we have is considerably lighter than that reported by Drivers Jonas. We have now referenced Nos. 22-26 Stannary Street, following the refurbishment and the areas as stated above are again net internal areas, excluding such areas as circulation space and ancillary areas.
- 4.03 The gross to net areas within the three buildings, that is the amount of usable space compared to the total covered space, is in our view relatively poor within each of the three buildings. A modern office building for example, would probably expect to achieve a gross to net ratio of around about 90%. Here, the ratios are relatively low. No. 184 has a ratio of 71%, No. 20 has a ratio of 83%, and Nos. 22-26, the ratio is as low as 67%. This is despite the fact that Nos. 22-26 have of course recently been refurbished and the building itself is relatively square. A lot of the ground floor, almost half of the space, is taken up by corridors, a large plant room and WC's. The corridor area is relatively large, in part because two side corridors have been set out to provide access into the northern side of No. 20, to facilitate use of the three contiguous buildings together and by one occupier.
- 4.04 We calculate a total site area for the three properties of approximately 0.078 hectares (0.21 acres).
- 4.05 We attach an Ordnance Survey Extract below showing our understanding of the extent of the property edged in red.



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5.00 CONDITION

- 5.01 We have not been provided with a building survey or engineer's report and have not been asked to compile either.
- 5.02 Our inspection was for the purposes of valuation only. Generally speaking, our inspection showed that there were no immediately obvious essential repairs that needed to be carried out to any of the buildings that might be required as a condition of any secured loan advance, against the value of the freehold property. Nos. 22-26 Stannary Street were being re-fitted at the time of our inspection and following the completion of the refurbishment, a re-inspection will be carried out by ourselves to re-appraise the valuations as stated in this report.

6.00 SERVICES

- 6.01 We have not been provided with any information in this regard. However, our inspection revealed that all expected mains services are connected. Wall mounted air conditioning units are available throughout the two occupied buildings. 22-26 Stannary Street is fitted with central heating and air conditioning, complete with ducting. A passenger lift was yet to be installed at the time of inspection.
- 6.02 Similarly, towards the front of No.184 Kennington Park Road, a lift has been installed to the property which serves all floors within the front portion of No.184. There is good natural light throughout the building generally and whilst there is a principal staircase to the front part of No.184, again serving all floors, there are other staircases located in the remainder of the building, including No.20 Stannary Street, that give restricted access to some floors. The overall specification within the building is typical of what one might expect in a modern office building in this area, with WC facilities available throughout the building for both male and female members of staff and also with disabled facilities. We would comment, however, that as the WC facilities currently stand, they provide, in our opinion, a minimum level of such facilities for the size of building, and the anticipated number of staff using them.

7.00 TENURE

- 7.01 We have not been provided with a report on title.
- 7.02 We understand that the property is an unencumbered freehold with full vacant possession being available. The party occupying the entirety of the property was the Health Professions Council.

8.00 TOWN PLANNING, HIGHWAYS & STATUTORY CONSENTS

- 8.01 The Local Planning Authority is the London Borough of Lambeth. There is a significant planning history to the property and we understand that, like 22-26 Stannary Street, No. 20 did not start out its life as an office building, which it is used

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as now. Similarly, Nos. 22-26 Stannary Street had an industrial use, prior to consent being gained for conversion to offices.

- 8.02 The properties stand within the Kennington Conservation Area, and there is also a tunnel safeguarding line in the area as well, relating to London Underground services in the area. There is in addition, a cross river transit constraint operating in the area, which is likely to entitle transport authorities in the area, inter alia, to be consulted on any proposals on the site as described. Other constraints include a restriction on building that might impinge on the view towards the Palace of Westminster. The A3 also stands on the site of a Roman Road.
- 8.03 Whilst there are clearly a number of restrictions in the vicinity on planning, these are primarily designed to protect the existing built environment, and the facilities available in the area. The impact of these will be most obvious if further development consent is sought on the site. Having regard to the use of the building at the time of our inspection, we are satisfied that such use is in line with current planning consents.

9.00 ENVIRONMENTAL CONSIDERATIONS

- 9.01 As local authorities do not give verbal advice regarding contamination, no formal enquiries have been made and we rely on our valuation inspection of the property to identify whether or not the property or any neighbouring land is likely to be contaminated or has been, or is being put to any potentially contaminative use. Our inspection has not revealed any matters which would affect our valuation. However, if it is established subsequently that contamination exists or that the property has been put to a contaminative use, this may reduce the values now reported.
- 9.02 Information supplied to us indicates that there is a history of industrial use in the immediate vicinity, particularly in Stannary Street although the uses to which the various buildings were put previously, looks to indicate a light industrial type of use where such industrial uses were prevalent. Nos. 20 & 22-26 Stannary Street both have a previous industrial pedigree, although one we understand was used as a dairy and Nos. 22-26 had a light industrial use before purchase by the Council. Similarly, across the road in Stannary Street, London Electricity had a light industrial premises which has, in the last few years, been converted to self-contained flats. Clearly, however, this implies a mixed use heritage to the area, which could bring with it at least some level of contamination in the ground.
- 9.03 We are also aware from other valuations carried out in the area that just to the south, one large premises in that area was used by a funeral director for some considerable time, before being used as offices and ancillary areas. There are other industrial premises in the area, most notably the large Nine Elms Industrial Estate to the west, on the southern bank of the Thames. The site is relatively close to the Thames, and may be susceptible to flooding from this source.

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10.00 RATEABLE VALUE / COUNCIL TAX

- 10.01 We have looked on the Valuation Office Non-Domestic Rating List for the year 2005. No.184 Kennington Park Road is assessed for non-domestic rates as 'Offices & Premises' at a Rateable Value of £63,000. The premises at 22-26 Stannary Street are assessed for non-domestic rates as 'Workshop & Premises' at a Rateable Value of £22,750. We have not been able to identify a separate assessment for No.20 Stannary Street, although this area should be assessed with No.184 Kennington Park Road as they form one hereditament. The area assessed for No.184 by the Valuation Office indicates to us that this only includes the space within No.184 itself rather than any space within No.20. The assessment may therefore be light.
- 10.02 Strictly speaking, on Nos. 22-26 Stannary Street, no non-domestic rates should currently be being paid, as the building is incapable of beneficial occupation, due to the refurbishment which is currently underway. Once the works have been carried out, then the building will be re-assessed as offices on a net internal area.

11.00 REINSTATEMENT COST

- 11.01 A formal assessment has not been commissioned in this instance. An assessment of the reinstatement cost has already been reported to the Council by our Building Surveying Department.

12.00 VALUATION CONSIDERATIONS

- 12.01 This report is being prepared at a time of some general uncertainty in the market, caused primarily by economic issues on both sides of the Atlantic, which first became general knowledge, say, in the third quarter of 2007. These issues include sub-mortgage lending difficulties in the United States and the recent run on the Northern Rock Bank, which led to its recent nationalisation. Such circumstances as these have led to many Banks being required to make provisions for bad debts, generally in excess of what would normally be expected in an individual financial year.
- 12.02 The effects in the property market have generally been seen as causing yields, particularly on secondary properties, to weaken with a subsequent softening of some values, both in the residential and commercial sectors. The credit squeeze that has become evident in the first quarter of 2008, has in itself put further pressure on the market as a whole, with purchasers now potentially having to produce larger deposits than previously, due to the circumstance of less readily available credit. Transactions continue to be agreed, but these are now likely to be taking longer to complete than, say, a year ago in a less confident market than in the middle of 2007. The current market may therefore be seen as possible fragile, with the propensity for further weakness to be evident, in the last quarter of 2008.

- 12.03 Our experience has been that these effects have been general, both in terms of geographical spread, and impact in the individual property markets. The RICS are reporting that more residential estate agents are reporting falls in residential values, month on month, the situation now being likened to that in the early 1990s.
- 12.04 We have noticed that some areas, for example, which have only seen growth over, say, the last two to three years, from a low base value, have seen much of such increases lost in the last six to nine months. Similarly, some areas which have enjoyed continual growth since before the millennium, both in residential and commercial values, are now probably completing transactions at levels of value similar to those last seen in such areas, in the first half of 2007. Some individual markets have suffered very badly, whilst others potentially seem to be standing still, awaiting an anticipated improvement in circumstances in the last quarter of 2008. It is against this background that we have been asked to provide values on the subject properties for accounting purposes.
- 12.05 Kennington has seen considerable growth in residential values over the last three to four years, albeit with levels of value in the areas still relatively light, compared to such surrounding Boroughs as Clapham and possibly Balham. Recent experience of residential transactions in the area over the last few months, indicate to us that the residential market has fallen back only slightly, say back to levels of value in the first half of 2007 but probably no worse than at that time. Transactions in the retail parade to the south-west of the subject property, beyond the underground station, indicate that, where covenants are of good quality, full yields are still being seen to be paid at public auctions.
- 12.06 Looking at the office market in the area generally, Kennington has a relatively large office market which, within it, has a wide variety of quality and size. Like most office markets in the South East over the last few years, office freeholds have improved in popularity, spurred on by a number of factors, not least among them cheap borrowing and an increasing desire by many tenants to own their own premises, whilst finance is attractively priced. Whilst there is supply in the area, however, the market in the area is relatively disjointed in that the supply is scattered, with concentrations of space to the west around Vauxhall, and to the east, along Brixton Road and into Camberwell.
- 12.07 South of the subject property, but again in Kennington Road, there are a small number of low rise office buildings fronting on to Kennington Park Road, which, we understand, are occupied freehold by individual occupiers, with some poorer quality office stock towards the top of Brixton Road itself, on its' western side, which lacks impact and is of poor quality. The former Hackney Carriage Works at the top of Brixton Road, however, on its eastern side, is very much a destination building in the area, now; indeed it is a local landmark, which now provides a mix of office quality. Here, rents are now, even on unimproved space, above £20 per sq.ft. This comment is made from our own experience of carrying out rent reviews within that particular location in the last couple of years.
- 12.08 Looking towards the concentration of stock around the Vauxhall underground and overground railway stations, this tends to be of relatively poor quality with rents

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- equating to no more than, say, £14 or £15 per sq.ft. for unrefurbished space. The highest rental values we have seen in the area are some £35 to £37 per sq.ft. agreed some two years ago, to the north of the subject property, on an individual building with full specification. The valuation, therefore, is also being completed against a background of a wide variety of stock, quality and size in the area. The level of rents indicate that demand for office space is there, with high rents potentially being paid by special purchaser type tenants, and poor quality space only finding occupiers at low rents, who have potentially weak covenants.
- 12.09 Bearing in mind the continued popularity of freeholds, we anticipate that a buyer would be found for the subject building, whether or not 22-26 Stannary Street was included in any sale. The great advantage that the purchase of 22-26 Stannary Street brings with it is the potential to let this as a separate entity, or the freeholder occupies it for their own business. The layout of the property, however, whilst fully refurbished and attractive in specification, may not bring with it universal appeal, although it has to be said that, generally speaking, the ambience throughout the building is strong, even though the property offers little in the way of clear, unbroken floor plates. The latter arrangement serves to maximise efficient use of space and, by inference, is easier to use and so more popular in the market place. The effect of the layout, in our view, is likely to weaken the rental value of the property and, possibly also, the capital value, although we anticipate the effect might be greater on the former rather than the latter.
- 12.10 We perceive general popularity for the office being relatively widespread. The excellent transport links within the area may make the subject property of interest to tenant's possibly currently occupying space in the West End or the City, who would not face excessive travelling, with such a move out of the middle of London to Kennington. The space would, in our view, would suit a number of businesses, most notably solicitors and accountants, although the building is of sufficient quality to appeal to companies seeking a headquarters building of medium size. This is provided that the out of town location does not bring with it the potential loss of too many key staff to justify the move.
- 12.11 We set out below a number of transactions of which we are aware in the area, concerning offices. We feel these are pertinent in coming to an opinion of value of the subject premises.
- 12.12 Gateway House, Milverton Street, London SE11
- Some 2,684 sq.ft. of office space, to a relatively basic specification and located on the first floor was let in November 2006, at an equivalent rent of some £18.50 per sq.ft. (£49,700 per annum).
- 12.13 14 Bowden Street, London SE11
- 1,235 sq.ft. of basic specification offices, on a first floor, were let in February 2007 for an equivalent rent of £17 per sq.ft. The total rent paid being was under £21,000 per annum. An offer for 1,100 sq ft has just been declined by the Landlord at a rental of £20 psf, as stated by the letting agents, Field & Sons.

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12.14 Unit B, Whiteacre Mews, 26-34 Stannary Street, London SE11

1,650 sq.ft. of office space was recently sold for some £325,000, the transaction being agreed in October 2007. The sale price equates to some £200 per sq.ft. which intimates to us that the building sold may well have been to a shell finish.

12.15 Currently, in terms of asking rents, 1,253 sq.ft. of space is at present on the market at 14 Bowden Street, London SE11, at an asking rent of some £20 per sq.ft. This comprises ground floor space to a good specification, albeit with no parking. We anticipate that this level of rent will probably represent the top of the market for small lettings. We would discount this to reach an overall rent on the subject premises. This would be for reasons of quantum, and the potential narrowing in demand that the larger amount of space is likely to bring with it.

12.16 Jaymac House, Valmar Road, London SE5

This comprises a modern, detached office building on ground, first and second floors, of some 6,500 sq.ft. with, unusually, a warehouse involved in the freehold purchase transaction of some 2,600 sq.ft. The property was valued by this firm for Bank lending purposes, in August 2007, at £1,250,000 against the passing rent of some £70,000 per annum, the latter figure, in our view, being low. The property was modern in construction and to a high specification. It had no presence however, to a main road, being located on a small industrial estate in Valmar Road, London, SE5. On a weighted basis, the office space sold at a price of circa. £180 per sq.ft., which in our view was low. The tenant occupying the property was a blue chip covenant.

12.17 Cranmer House, Brixton Road

This firm carried out a rent review on an unimproved third floor office space at the above property, the rent review date being September 2005. The space equated to some 3,000 sq.ft., and had lift access. The rent agreed was just over £18 per sq.ft.

12.18 28 Whittaker Mews, SE11

Three office units were sold in October 2007 by Field & Sons. The units were constructed approximately 5 – 6 years ago by Rydon Homes, as part of a mixed use scheme, with the residential element fronting Stannary Street. The smallest unit was 700 sq ft and the largest was 2,000 sq ft. The agent described the units as having poor natural light, although benefited from wooden floors and comfort cooling. The sale prices reflected an average capital value rate of £270 per sq ft.

12.19 We feel that the market is likely to have risen further since the last valuation in 2006, despite the current issues within the market. An increase in value per sq ft of rental and capital value should therefore be reported. We feel that a rental value of £17 per sq.ft. and a yield of 7% are appropriate for Nos. 184 and 20. We propose a higher rental figure of some £22 per sq.ft. be applied to Nos. 22-26, as this building has been renovated to a particularly high standard, better than that of No.184

Cont'd/...

-
- Kennington Park Road and No.20 Stannary Street. We have also slightly improved the yield on the grounds that the space in Nos. 22-26 is comparatively small, and probably represents now the highest specification for office space in the locality. This gives a capital value of some £3,100,000 rounded.
- 12.20 There may be some tail off in value increase here however, due to size and price constraints, as the market may discount further a larger area. One issue in selling the property as a freehold may well focus primarily on the price, in so far as in our view the market may well split at say about £2,500,000 in terms of a budget that potential freehold occupiers may be prepared to pay for this amount of space. The issue in a sale, would then become one of whether or not potential freehold occupiers of the property, would be prepared to take on the additional finance for potentially an amount of space within the building that they did not initially need, with a view to becoming landlords of either the front or rear parts of the building. This point may become more pertinent, should the market weaken further from its current position. It is likely in our view, that the disposal of the freehold interest in the building with vacant possession may be best achieved as two separate lots.
- 12.21 Given the circumstances, therefore, and the information as supplied in the body of this report, we will be reporting a revised valuation of the property of £3,100,000.
- 12.22 We are reporting the Existing Use Value and Market Value as the same figure. We believe there is a good chance that planning permission will be forthcoming for an additional storey to be erected above 22-26 Stannary Street. This implies that there may be some addition to site value, although this would be reflected as "hope value". Figures indicate, however, that this may only be a small increase, largely dependant on build costs. The level of expenditure per sq. ft. to refurbish 22-26 Stannary Street, if repeated on the second floor extension, may negate the small additional value that we currently see may exist.
- 13.00 SECURITY**
- 13.01 We are of the opinion that the property would represent satisfactory security for a loan advance against the freehold of the premises, were such a proposition to be considered for a loan period of up to, say, 25 years. This has regard to the present saleability of the property, its potential rate of obsolescence, and also on the assumption that the property will be maintained in a reasonable state of repair throughout, as a minimum, and at least through the life of, any loan that might be contemplated.

14.00 VALUATION

14.01 Subject to the foregoing, we are of the opinion that the Market Value of the freehold interest in the property with vacant possession, as described, as at the date of this report for accounting purposes, and assuming all works of renovation have been completed, is as follows:

Market Value:

£3,100,000 (Three Million One Hundred Thousand Pounds)

Existing Use Value:

£3,100,000 (Three Million One Hundred Thousand Pounds)

Land and building splits

Address	Land	Building	Total
184 Kennington Park Road	£390,000	£860,000	£1,250,000
20 Stannary Street	£220,000	£500,000	£720,000
22 – 26 Stannary Street	£370,000	£750,000	£1,120,000
Total	£980,000	£2,110,000	£3,090,000
Say	£1,000,000	£2,100,000	£3,100,000

14.02 We consider that the most appropriate method of sale would be by private treaty and that completion could be achieved within a period of 9 months.

14.03 These valuations should be read in conjunction with the Terms and Conditions as set out in this report and also the Terms and Conditions as set out in our letter of confirmation of instructions. We draw your attention specifically to the confidentiality and non-disclosure provisions.

Yours faithfully,



STILES HAROLD WILLIAMS

Report prepared by:

Brian Watkins BA (Hons) MRICS FCI Arb

Director

Cont'd/...

APPENDIX A

CAVEATS & ASSUMPTIONS

NOTE

**THE FOLLOWING CAVEATS & ASSUMPTIONS FORM
AN INTEGRAL PART OF THIS REPORT INsofar AS THEY
ARE APPLICABLE TO THE SUBJECT PROPERTY & UNLESS
SPECIFIC COMMENT IS MADE TO THE CONTRARY IN THE
FIRST SECTION OF THIS REPORT**

CAVEATS & ASSUMPTIONS

INSPECTION

We have undertaken a visual inspection of the exterior and interior of the property to the extent to which it is accessible with safety and without undue difficulty. We have not carried out a building survey or inspected those parts of the property which are covered, unexposed or inaccessible and such parts are assumed to be in good repair and condition.

We have not tested the electrical, heating or other services and we have assumed that the services are connected to the main supplies and that they conform to necessary regulations.

Purchasers are advised that before completing any exchange of formal contracts, they should arrange for a building survey and for contractors to carry out an independent test on all the services including a full drainage test to ensure that no major defects or remedial works are required.

In preparing the report, unless otherwise stated, the following assumptions have been made and which we have no duty to verify:

- (a) that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;
- (b) that inspection of those parts which have not been inspected would neither reveal material defects nor cause us to alter the valuation materially;
- (c) that no exceptional problems would be encountered in construction with regard to the nature of the subsoil, underground services and site conditions etc; and
- (d) that the property complies in all respects with all legislation, statutory provisions and regulations relating to its construction, use and occupation and that no notices are outstanding against the property.

MEASUREMENTS

All measurements are carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors. In the event of dimensions or areas being calculated from plans or other sources, this has been stated in the report.

GENERAL ASSUMPTIONS

Unless otherwise stated, all items normally associated with the valuation of land, business and buildings are included in the valuation and reinstatement costs to the extent that they existed at the date of inspection, including:

Fixed space heating, domestic hot water system, lighting, mains services supplying these, sprinkler systems and associated equipment, water, electricity, gas and steam circuits not serving industrial or commercial processes, substation buildings, lifts and permanent structures including crane rails where forming an integral part of the building structure, suspended ceilings, drains, sewers and sewerage plants not primarily concerned with treating trade effluent, air conditioning except where part of a computer installation or primarily serving plant and machinery, carpets and fixed demountable partitions except where these are tenant's fixtures.

Cont'd/...

ENVIRONMENTAL CONSIDERATIONS

We do not undertake any environmental testing as part of a normal valuation inspection and will therefore usually report that our enquiries have not revealed any contamination affecting the property or neighbouring property, which would affect the valuation. However, should it be established subsequently that contamination exists at the property or on any neighbouring land or that the premises have been or are being put to any contaminative use, this might reduce the values reported.

When valuing a property where we suspect contamination may exist this has been reported.

DISABILITY DISCRIMINATION ACT 1995 (DDA)

The Disability Discrimination Act introduces new laws and measures aimed at ending discrimination that many disabled people face, and gives disabled people new rights in the areas of employment and access to goods, facilities and services. This can impact on the value of the property interest. Under the Act, disability is given a wide definition incorporating most long-term and substantial impairments. Its scope is broad-ranging, and includes such diverse ailments as asthma, dyslexia, visual impairment and problems with mobility.

Employers are under a duty to make reasonable changes to practices and procedures within the workplace to enable disabled people to do their jobs. This may extend to making physical alterations to the workplace. These provisions came into force in 1996, and further provisions come into effect in October 2004, when Part III of this Act, covering the provision of goods, services and facilities directly to the public, came into force. A service provider now has to take reasonable steps to remove, avoid or alter any physical feature that makes it impossible, or unreasonably difficult, for a disabled person to make use of services, or make changes to practices, policies or procedures in the service provision.

The DDA outlaws discrimination against disabled people in recruitment and employment and in the provision of goods, facilities and services. It is not known whether an access audit has recently been undertaken for the subject property in relation to the DDA and services provided and without sight of such an audit it is not possible to comment on the full extent of the deficiencies, if any, in the services provided with regard to the DDA.

You may wish to commission specialist investigations in this regard. We can provide this additional advice if you so wish for an additional fee.

CONTROL OF ASBESTOS AT WORK REGULATIONS

We do not undertake any asbestos audit or register as part of a normal valuation inspection and unless we have information to the contrary, we have assumed that there are no asbestos-related issues which would affect the valuation. Should it be established subsequently that there is a cost implication relating to the presence of asbestos at the property, this might reduce the values reported.

We have valued assuming that the "Control of Asbestos at Work Regulations 1987" as amended in 1992 and 1998 have been adhered to. We are not qualified to advise as to whether or not an asbestos audit or register have been properly undertaken.

Cont'd/...

VERIFICATION OF TITLE

Unless otherwise expressly agreed we have relied upon information provided by the client and other professional advisers relating to tenure, leases and all other relevant matters. We have assumed that good Title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing. It is understood that if a Report on Title is subsequently obtained which is in conflict with our report, it will be referred to us for further consideration. No responsibility or liability is accepted for the true interpretation of the legal position of the lender and other parties. Any interpretation of legal documents and legal assumptions should be checked by the client or suitably qualified person, if it is to be relied upon.

The Landlord & Tenant Act 1987 gives certain rights to residential tenants to acquire the freehold interest in a property, where the landlord intends to dispose of his interest and where more than 50% of the floor space is in residential use. If these circumstances apply we assume that these rights do not adversely affect the valuation of the property.

TENANTS

Although we have reflected the general market understanding of a tenant's status in the valuation, we have made only limited enquiries about the financial status of the tenant, and rely upon the client to advise us where there appear grounds for concern. In the context of investment property where the tenant covenant is significant, such assumptions that affect the valuation approach have been commented upon in the Valuation Considerations Section of the report. We have assumed that appropriate enquiries were made when leases were originally exchanged or when consent was granted to tenants to assign or underlet, and that tenants are not in breach of covenant.

TOWN PLANNING, HIGHWAYS & OTHER STATUTORY REGULATIONS

We have made such informal, verbal planning and highways enquiries which are appropriate and possible in the circumstances. It is an assumption that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries and that neither the property nor its condition, nor its use, nor its intended use is, or will be, unlawful. It is recommended that verification is obtained from your solicitors that:

- (a) our findings in respect of planning and highways matters are correctly stated in the report;
- (b) the property is not adversely affected by any other decisions made or conditions prescribed by Local Authorities; and
- (c) the property complies with all other statutory regulations.

Where the operation of a business is dependent upon some form of Statutory Licence we will have inspected same and have reported any material conditions thereto. If documentation is not available has been reported and we have stated any assumptions made.

Cont'd/...

REINSTATEMENT COST

We have not carried out a formal assessment of the current cost of reinstatement of the buildings and our opinion is given solely as a guide and is indicative only.

Our opinion is based on our measured areas and average rebuilding cost data, assuming the buildings are in their present form or that buildings under construction will be completed as proposed.

Our figure is on a day one basis and includes an allowance for the costs of demolition, clearance and professional and statutory fees. No allowance has been made for cost inflation, loss of rent, cost of alternative accommodation, cost of treatment or removal of contamination or Value Added Tax except on fees.

Our indicative figure should not be relied upon and is for informal guidance only.

COSTS AND TAX

Where appropriate allowance has been made in our valuation for a purchaser's costs of acquisition but no allowance has been made for expenses of realisation or for any taxation that may arise on disposal or acquisition.

The valuation excludes any Value Added Tax that may be payable either on disposal or acquisition or any Value Added Tax that may be payable on any passing rental.

CONFIDENTIALITY

This report is provided for the stated purpose and for the sole use of the client. We accept responsibility to the client alone that the report has been prepared with the skill, care and diligence to be expected of a competent valuer. It is confidential to the client and his professional advisers and we accept no responsibility whatsoever to any parties other than the client. Any third parties rely upon the report at their own risk.

Neither the whole nor any part of this valuation report or any reference to it may be included in any published document, circular or statement or published in any way without our written approval of the form and context in which it may appear.

Cont'd/...

APPENDIX B

DEFINITIONS OF VALUE

DEFINITION OF VALUE

The Practice Statements of the RICS Valuation Standards 6th Edition sets out the following definitions. The relevant definitions have been adopted in the preparation of our report.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

DEPRECIATED REPLACEMENT COST (DRC)

'The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation'

MARKET VALUE (MV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

MARKET RENT (MR)

The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

SPECIAL ASSUMPTION

An Assumption that either:

- Requires the valuation to be based on facts that differ materially from those that exist at the date of valuation: or
- Is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

Cont'd/...

APPENDIX C

COPY OF INSTRUCTION LETTER

Sent: 01 November 2007 08:59
To: 'Stephen.Hall@hpc-uk.org'
Cc: Brian Watkins
Subject: RE: Building Valuation Fee estimate

Steve, my colleague Brian Watkins has advised me that ball park fees for the current market valuation would be £3500 inc vat and to update the valuation in March 08 £1250 inc vat

I trust we have interpreted your requirements correctly and look forward to hearing from you as to the outcome.

Regards Richard

Richard J Turner Bsc MRICS
Director
Building Consultancy

Tel: 0208 662 2702
Fax:0208 662 2701

Visit our website at www.shw.co.uk

-----Original Message-----

From: Stephen.Hall@hpc-uk.org [mailto:Stephen.Hall@hpc-uk.org]
Sent: 31 October 2007 14:34
To: Richard Turner
Subject: Fw: Building Valuation Fee estimate

Richard

Please see email below. I am sure this is something that Stiles Harold Williams could help HPC with. Based on the brief scope of works, could you or one of your colleagues let me have a ball park figure on fees involved. We would need the work carried out in March 2008 before the end of our financial year at the end of this month.

Kind regards

Steve Hall
Facilities Manager
Health Professions Council
Park House, 184 Kennington Park Road, London, SE11 4BU www.hpc-uk.org

tel +44 (0)20 7840 9731
fax +44 (0)20 7820 9684
email stephen.hall@hpc-uk.org

To sign up to the HPC e-newsletter, please email newsletter@hpc-uk.org

Please consider the environment before printing this email
----- Forwarded by Steve Hall/hpc on 31/10/2007 14:17 -----

Simon
Leicester/hpc

31/10/2007 14:13

Steve Hall/hpc@HPC

To

cc

Subject
Building Valuation Fee estimate

APPENDIX D

ENVIRONMENTAL SURVEY



Don't buy a home without us

the risks

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Environment Summary

Flood

Yes
No

The centre of the postcode SE11 4BT is within 500m of an area potentially affected by flooding.

The centre of the postcode SE11 4BT is not within 500m of flood defences.

The centre of the postcode SE11 4BT is within 500m of an area benefiting from flood defences.

Homecheck flood and flood defence data is provided by the Environment Agency and indicates where flooding from rivers, streams or the sea is possible. It does not cover flooding from other sources like drains, burst water mains, run-off from hillsides, etc.

It indicates linear flood defences (such as walls and embankments) and flood water storage areas (such as reservoirs and basins) and normally covers only those built within the last 5 years to a specific standard. As a result, not all flood defences may be shown.

The flood forecasting on homecheck.co.uk can only give a general indication of risk and is only a guide to indicate if further enquiries should be made.

If you would like to purchase a detailed property specific flood report please [email us](#)

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Data Supplied under Value Added Reseller Licence.

Please note this Summary is not for Commercial use

Subsidence

High
Medium
Low

There is a moderate potential risk of foundation damage to domestic properties from subsidence hazards within the neighbourhood of postcode SE11 4BT.

This assessment takes no account of the type of housing, or the effects of localised foundation damage from trees or other vegetation, or from other man-made hazards such as excavations or leaking drains.

If you would like to purchase a detailed property specific subsidence report please [email us](#)

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Data supplied under licence of  British Geological Survey

Please note this Summary is not for Commercial use

Radon

Yes
No

The neighbourhood of postcode SE11 4BT is not within a radon affected area.

This does not necessarily indicate the presence of Radon Gas in any particular property in this postcode.

The level of concern has been determined by homecheck.co.uk and is only a guide to indicate if further enquiries should be made.

Further advice can be obtained from the Health Protection Agency on 01235 831600.



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Coal Mining

Yes

No

The neighbourhood of postcode SE11 4BT is not within a coal mining area.

The level of concern has been determined by homecheck.co.uk and is only a guide to indicate if further enquiries should be made.

For further information and advice visit the [Coal Authority's web site](#).

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Landfill

High

Medium

Low

There are no known licensed landfill/waste processing sites within the postcode of SE11 4BT.

Information on the existence of current landfill sites is extracted from public registers maintained by the Environment Agency.
Information on past landfills is compiled from a variety of sources by Landmark Information Group and is subject to an ongoing quality assurance exercise.
The locations of landfill sites are estimated from grid references shown on the licence.
The data does not include illegal dumping or fly tipping.

The level of concern has been determined by homecheck.co.uk and is only a guide to indicate if further enquiries should be made.

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Current Landfill Data Supplied under Value Added Reseller Licence. Historical Landfill data captured by Landmark Information Group.

Please note this Summary is not for Commercial use

Historical Landuse

High

Medium

Low

An analysis of Ordnance Survey Maps published between circa 1840 and the current day, in conjunction with current published surveys, indicates that the postcode of SE11 4BT has a history of past industrial use.

The level of concern has been determined by homecheck.co.uk and is only a guide to indicate if further enquiries should be made.

If you would like to purchase a detailed property specific historical landuse report please [email us](#)

© Landmark Information Group and/or its Data Suppliers.
Historical Landuse Data captured by Landmark Information Group Limited.

Please note this Summary is not for Commercial use

Pollution

High

Medium

Low

Risk to the environment in the postcode of SE11 4BT from industrial pollution may be present from a number of sources.

If you would like to purchase a detailed property specific pollution report please [email us](#)

Please note this Summary is not for Commercial use

Other Summaries

Neighbourhood Summary

Now check what the quality of the area is - including crime rates, schools performance, amenities and other useful information.

[View the Neighbourhood Summary for your area](#)

Planning Summary

Could something be planned that you wouldn't want on your doorstep?
The summary helps you check the number of large and small planning applications in your area.

[View the Planning Summary for your area](#)

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APPENDIX TWO - Floorspace Comparison (Net Internal Floor area)

Valuation Firm Valuer	Edwin Evans Drivers Jonas Charlotte King		Lambert Smith Hampton	Drivers Jonas Alex Houghton	Stiles Harold Williams Brian Watkins
	1999 sq ft	Dec-01 sq ft	Feb-05 sq ft	May-06 sq ft	Apr-08 sq ft
<u>184 KP Rd</u>					
Top Fl	765	744		904	812
2nd Fl	800	786		904	811
1st Fl	800	786		904	811
Upper Ground fl	1620	1560		2034	1288
Lower Ground fl	1595	1522		1816	1421
Net Internal Area	5580	5398		6562	5143
Gross Internal Area		7782			
<u>20 SS</u>					
Second fl		648		1033	604
First fl		581		1033	1095
Mezzanine		702			
Ground fl		1673		1345	1238
Net Internal Area		3604		3411	2937
Gross Internal Area		4736			
<u>22-26 SS</u>					
First fl			2278	2527	2082
Ground fl			2640	2968	1490
Net Internal Area			4918	5495	3572
Gross Internal Area			5572		
TOTAL Net Internal Area				15468	11652