

VALUATION REPORT

GEOFFREY CHURCH BUILDINGS,
CATHEDRAL STREET, LINCOLN
LN2 5HH

12 September 2019

Prepared for:
Hubb Property Group

VALUATION



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Contents

EXECUTIVE SUMMARY

1	TERMS OF REFERENCE	1
2	EXTENT OF DUE DILIGENCE & INFORMATION SOURCES	3
3	PROPERTY INFORMATION	4
4	MARKET CONDITIONS AND TRENDS	17
5	VALUATION APPROACH	33
6	VALUATION	52
7	GENERAL CONDITIONS	53

Appendices

1	Terms of Engagement
2	Copy Layout Plans
3	Photographs
4	Copy Valuation Calculations



EXECUTIVE SUMMARY



ADDRESS

Geoffrey Church Buildings, Cathedral Street, Lincoln LN2 5HH

DESCRIPTION

The Property comprises a part three, and part four-storey student residence, providing 94 student rooms arranged in 24 cluster flats.

The Property is in part a conversion of a terrace of former houses fronting Lindum Road, and in part, purpose built with two new wings added at the rear, facing out onto Cathedral Street, when the buildings were redeveloped in 1994.

LOCATION

The Property is located in the city centre of Lincoln, a cathedral city and the county town of Lincolnshire, within the East Midlands.

Lincoln has two Higher Education Institutions; The University of Lincoln and Bishop Grosseteste University, with a combined total of 16,329 students in the Academic Year 2018/2019.

The Property is situated on the corner of Cathedral Street and the A15 Lindum Road, taking its principal access from Cathedral Street.

It is located approximately 0.7 miles north of Lincoln Central railway station, and a short 10 minute walk from the main city centre campus of the University of Lincoln approximately 0.5 miles to the south-west.

TENURE

Long leasehold for a term of 125 years from 20 August 2004

TENANCIES

We understand that the accommodation is directly managed by the seller, and that the individual cluster bedrooms are let directly to individual students under annual licence agreements which do not in themselves offer guaranteed income beyond the term of the periodic contract.

Income security is delivered by the specification, location and affordability of the cluster bedrooms within the scheme, and the



underlying demand for student accommodation in the city.

GROSS INCOME

Reserved 2019/20 (as advised) £375,888 per annum
(Fully occupied under 48 week contracts).

GROSS RENTAL VALUE

In aggregate assuming an individual letting of each cluster bedroom under a standard residential licence agreement, (48 weeks). £375,888 per annum

VALUATIONS

Market Value **£3,000,000**

**DUE DILLIGENCE
RECOMMENDATIONS**

We recommend your solicitor:

- Verifies our understanding of the title, planning status and reserved tenancies for the 2019/20 academic year.



PRIVATE AND CONFIDENTIAL

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Our Ref: 193902/MAT

12 September 2019

Dear Sirs

CATHEDRAL STREET, LINCOLN LN2 5HH: (THE "PROPERTY")

1 TERMS OF REFERENCE

1.1 Instructions

In accordance with your instructions, we have undertaken a valuation of the long leasehold interest in the above Property.

This valuation is required by you to assist you in connection with the acquisition of the Property as an income producing investment.

It has been prepared in accordance with our letter dated 22 August 2019 confirming the basis of our instruction and our Terms and Conditions of Business and the Valuation Procedure and Assumptions enclosed with that letter.

Copies of these documents are enclosed at Appendix 1.

1.2 Date of valuation

12 September 2019. The importance of the valuation date must be stressed as property values may change over a relatively short period.

1.3 Standards

The report has been prepared in accordance with RICS Valuation – Global Standards 2017, (the "Red Book").

1.4 Independence and Objectivity

We confirm that we have had no previous involvement or dealings with the Property or any other party connected with this Property and that we are aware of nothing that could create a conflict with our duty to provide you with an objective and independent valuation.

We are acting in the capacity of External Valuer as defined by the Red Book.

1.5 Valuer details

This report and valuation has been prepared by Mark Thompson BA (Hons) MRICS, RICS Registered Valuer and reviewed by Robert Waterhouse BSc (Hons) MRICS, Registered Valuer.

We confirm that they have the knowledge, skills and understanding to undertake this valuation competently.

1.6 Indemnity

We have sufficient professional indemnity cover for this instruction and our overall workload.

2 EXTENT OF DUE DILIGENCE & INFORMATION SOURCES

2.1 Inspection

The Property was inspected on 30 August 2019 by Mark Thompson.

2.2 Floor areas

We have not undertaken a measured survey of the student accommodation, but instead relied upon accommodation schedules provided by the seller.

The site area has been obtained from an Ordnance Survey Extract and has not been verified by a fully measured site.

2.3 Condition

We have not been instructed to carry out a structural survey, nor test services.

Further we have not been provided with a copy of any building condition, structural or mechanical and engineering survey.

Our inspection has been undertaken by a general practice surveyor, and does not purport to offer an opinion or statement on the condition of the Property.

2.4 Environmental investigation

As provided in our terms of engagement, we have not made detailed enquiries into the previous uses to establish whether or not contamination is present.

We have not commissioned an Environmental Site Assessment nor had sight of any reports that may be available.

As a consequence we can offer no guarantee or warranty that the site is free from contamination, and if a detailed environmental investigation reveals actual or potential contamination, our valuation may be adversely affected.

2.5 Tenure, title and tenancies

We have not been provided with a Report on Title.

The commentary provided in this report is based on our understanding of the title and tenancy situation and this should be verified by your solicitors.

2.6 Town planning

We have made informal enquiries with Lincoln City Council's planning department.

2.7 Facilities Management Costs

We have been provided with a summary of the Facilities Management costs incurred by the seller, for the financial years ending June 2016, June 2017 and June 2018. We have not been provided with audited accounts to verify this information.

3 PROPERTY INFORMATION

3.1 Location

The Property is located in the city centre of Lincoln, a cathedral city and the county town of Lincolnshire, within the East Midlands.

The city which developed from the Roman town of Lindum Colonia, is located 38 miles to the north east of Nottingham, 130 miles north of London, 45 miles south east of Sheffield and 65 miles south east of Leeds. but whilst Lincoln has reasonable road connections, it remains remote from the major transport arteries of the A1, M1 and M180, from which access is available via the A15, A46 and A57. The nearest major trunk road is the A1, which lies approximately 18 miles to the west.

Ironically, this relative remoteness serves to capture much of the retail spend from the primarily rural catchment, which is supplemented throughout the year by the strong tourist spend.

In addition Lincoln now also benefits from a direct train service to London Kings Cross with a fastest journey time of around 2 hours 44 minutes.

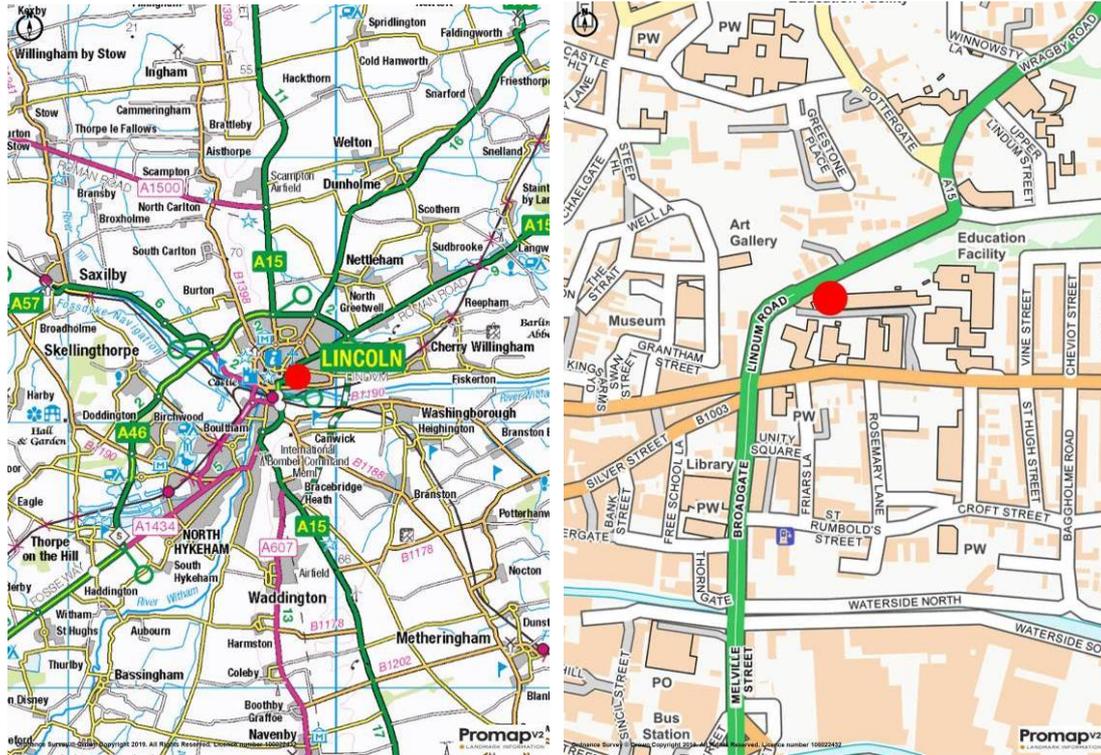
The non-metropolitan district of Lincoln had a 2017 population of 98,438. The 2011 census gave the entire urban area of Lincoln (which includes North Hykeham and Waddington) a population of 130,200. The city is popular with tourists who come to visit the numerous historic buildings including the 900 year old Lincoln Cathedral, Lincoln Castle, and the Medieval Bishop's Palace.

The Property is situated on the corner of Cathedral Street and the A15 Lindum Road, adjacent Lincoln College, and formed part of the College estate prior to redevelopment in 1994.

The College retains the freehold interest in the Property, and we understand, ownership of Cathedral Street from which the Property takes its principal access.

It is located approximately 0.7 miles north of Lincoln Central railway station, and a short 10 minute walk from the main city centre campus of the University of Lincoln approximately 0.5 miles to the south west.

Location plans are included below showing the location of the Property in both its regional and local context.



Lincoln has two higher education institutions; The University of Lincoln and Bishop Grosseteste University, with a combined total of 16,329 students in the Academic Year 2018/2019.

Bishop Grosseteste University, started life as a teacher training college linked to the Anglican Church in 1862. During the 1990s, the college branched out into new subject areas with a focus on the arts and drama, and became a University College in 2006 when it was awarded taught degree powers.

The University College converted into a University in 2012, and now occupies an 18 acre site not far from the city centre which houses many modern developments, including purpose-built learning and teaching accommodation in the Robert Hardy Building, as well as dedicated facilities for music, science and technology, a theatre and library. The courses often include a vocational element and many, but not all, engage with teaching and education subjects.

Bishop Grosseteste University has more than 200 student beds on its campus, and a further 148 beds elsewhere that the University either directly manages or endorses.

It was given an overall ranking of 113th in the Times Good University Guide 2019, which is down from 2018 when it was in 95th position. 60% of the students come from the East Midlands and 44% of the university's students come from Lincolnshire. 66.4% of students graduated with either a First or 2:1 degree. Overall student satisfaction in 2018 was rated at 83% (UKPRN).

Bishop Grosseteste University has no links with the University of Lincoln.

The larger University of Lincoln started life as the University of Lincolnshire and Humberside in 1996, when the University of Humberside opened a Lincoln campus next to Brayford Pool, attracting additional students to the city. Lincoln School of Art & Design (which was Lincolnshire's main outlet for higher education) and Riseholme Agricultural College, which had previously been part of De Montfort University in Leicester, were absorbed into the

University of Lincoln in 2001, and in September 2002, the University changed its name to the University of Lincoln.

The growth in student numbers has been significant. In the 2005–06 academic year, 8,292 full-time undergraduates were studying at the University. By 2010–11, 11,900 students were registered as studying there and in 2012/2013 the registered students had grown to 15,130 and the University is thought to be worth more than £250m to the local economy. The University was given an overall ranking of 42nd in the Times Good University Guide 2019, up from 54th in the Guide 2018. 73.5% of students graduated with either a First or 2:1 degree. Overall student satisfaction in 2019 was rated at 89%.

Since 1996, the University has invested £140,000,000 in its Brayford Pool campus and has planning permission for considerable further development over the coming years. The master plan includes outlines for new academic buildings, office space and student accommodation. Student applications have increased dramatically over the last decade.

In the last Research Assessment Exercise, 28% of the work submitted by Lincoln was judged to be world leading or internationally excellent, which resulted in a £2,000,000 boost in research grants.

Further development is in the pipeline with the University opening a new medical school in 2019 in partnership with the University of Nottingham, The medical school will initially have an intake of 80 students and will work towards training 400 undergraduates a year at full capacity.

3.2 Description

The Property, named after the former Principal of the adjoining Lincoln College, comprises a part three, and part four-storey student residence, providing 94 student rooms arranged in 24 cluster flats.

The Property is in part a conversion of terrace of former houses fronting Lindum Road, and in part purpose built with two new wings added at the rear, facing out onto Cathedral Street, when the buildings were redeveloped in 1994.

We enclose a plan showing our understanding of the boundary of the Property edged in red. The site area extends to about 0.089 hectares (0.22 acres).



The older buildings appear to be of structural brick construction rising to four storeys with timber upper floors, and a pitched slate covered roof. The lower ground floor opens to Cathedral Street at the rear and is partly below ground level to the Lindum Road frontage on account of the sloping site. The building retains its original timber sash windows to the Lindum Road façade, with new timber framed sashes fitted to the rear elevation during the redevelopment.

Internally these original buildings were completely refurbished and now arranged to provide six of the 24 cluster flats (27 bedrooms), sub divided in the main with brickwork internal

walls, fully plastered and painted throughout. There is no lift access with the upper floors served only by staircases.

The “new build” elements were added during the redevelopment in 1994, and are arranged in two wings. The eastern wing again rises to four storey’s albeit only the upper ground and first floors comprise full floors. The western wing, located on the corner of Lindum Road and Cathedral Street, also rises to four storeys, with three full floors and again, a lower ground floor flat facing out at the rear to Cathedral Street. The “new build” appears to be of concrete framed construction with cavity brick elevations, again incorporating new timber framed sash windows, with concrete upper floors and again a pitched slate covered roof, with an ornamental tower where the buildings narrows to a point at the Lindum Road/Cathedral Street junction.

Both wings are again sub divided in the main with brickwork internal walls, fully plastered and painted throughout, with the east wing providing eight cluster flats (28 bedrooms) and the west, 10 cluster flats (39 bedrooms). Again there is no lift access with the upper floors served only by staircases, (although the plans do show a liftwell which is not used).

In appearance the “new build” is sympathetic to the design of the original buildings and to the overall Cathedral Conservation Area, such that the new and old do blend to present as a single development.

3.3 Accommodation

The flats and individual cluster rooms are arranged as follows:

Accommodation	Wing	Floor	Beds	Arrangement
Flat 1	New build - East	Lower Ground Floor	2	Each bedroom is en-suite with a communal lounge/kitchen.
Flat 2	New build - East	Upper Ground Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge.
Flat 3	New build - East	Upper Ground Floor	3	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 4	New build - East	Upper Ground Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 5	New build - East	First Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge.
Flat 6	New build - East	First Floor	3	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 7	New build - East	First Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 8	New build - East	Second Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 9	Conversion	Upper Ground Floor & First Floor	5	Arranged over two floors; shared WC & shower room. Communal kitchen and

				separate communal lounge.
Flat 10	Conversion	Second Floor & Third Floor	5	Arranged over two floors; Shared WC & shower room. Communal lounge/kitchen.
Flat 11	Conversion	First Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 12	Conversion	Second Floor	5	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 13	Conversion	Third Floor	5	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 14	Conversion	Upper Ground Floor	3	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 15	New build - West	Lower Ground Floor	6	Shared WC, shower and shower room. Communal kitchen and separate communal lounge.
Flat 16	New build - West	Upper Ground Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 17	New build - West	Upper Ground Floor	3	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 18	New build - West	Upper Ground Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 19	New build - West	First Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 20	New build - West	First Floor	3	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 21	New build - West	First Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 22	New build - West	Second Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 23	New build - West	Second Floor	3	Shared WC & shower room. Communal kitchen and separate communal lounge
Flat 24	New build - West	Second Floor	4	Shared WC & shower room. Communal kitchen and separate communal lounge
Total			94	

Of the 94 cluster rooms, only two are en-suite (both within Flat 1). The rest are of a very similar specification, with carpet tiled floors, plastered and decorated walls and ceilings and a double glazed opening sash window.

The rooms are arranged in three, four, five and six bed clusters, with each cluster flat offering a shared kitchen, lounge, WC and shower room.

The pricing structure is generally related to the number of rooms sharing the communal facilities.

Each individual cluster bedroom benefits from:

- A full furniture pack comprising curtains/blinds, a single or $\frac{3}{4}$ bed, a desk and chair, an open fronted wardrobe and shelving unit, and a wall mounted pin board.
- Wash basin and mirror
- Ceiling mounted LED light fittings
- Hot water radiator, (each cluster flat has its own domestic hot water boiler and hot water cylinder)
- Smoke detector

Each cluster flat has:

- A communal lounge again with plastered and painted walls and ceiling, doubled glazed sash windows, carpet flooring, ceiling mounted LED lighting and a wall mounted hot water radiator, furnished with a sofa(s), coffee table and flat screen television.
- A separate shared kitchen, (in some cases with no natural light), with a laminate floor cover, a sink and drainer, an integrated oven and hob with an over-hob extraction fan, a fridge/freezer, microwave and free standing washer/dryer. (Note that Flats 1 and 10 have a single combined lounge/kitchen).
- A single communal WC and separate shower room, (bar Flat 1, where each room has an en suite WC/Shower).

The only communal facilities provided away from the cluster flats are a laundry located on the lower ground floor adjacent Flat 1, and a bin store within the rear courtyard facing Cathedral Street.

3.4 Services and Amenities

We understand that mains gas electricity water drainage services are connected to the Property but as written confirmation has not been obtained from the service providers we are unable to report on condition or offer any warranties.

3.5 External Features

There is a small courtyard area to the rear of the Property facing Cathedral Street, from which access into all flats is gained. The courtyard contains a small enclosed bin store, but there is no car parking or cycle storage.

3.6 Ground conditions

We have not carried out detailed investigations into ground conditions. Accordingly, we have made the assumptions that ground conditions are suitable for the current buildings and structures or for any redevelopment.

Since our normal enquiries and inspection 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.

3.7 Environmental issues

Contamination

As provided in our terms of engagement, we have not made detailed enquiries into the previous uses or to establish whether or not contamination is present.

Our normal inspection and other enquiries in connection with this valuation did not indicate that there was an abnormal risk of contamination. Accordingly, our valuation assumes that there is no latent contamination that could adversely affect the Property. If a detailed environmental investigation reveals actual or potential contamination, our valuation may be adversely affected.

High Voltage Electrical Supply Equipment

Our inspection did not identify the existence of any high voltage overhead cables or large electrical supply equipment at or close to the Property.

Radon

We have established from the Health Protection Agency website that the Property is in a radon affected area. This is usual for this part of the country and, if levels are abnormally high, would be managed through ventilation or the incorporation of radon protection measures into ground floor construction. In the absence of any further information we have assumed that the market would regard the risk as minimal and our valuation has accordingly not been affected.

Asbestos

We have not investigated whether asbestos or any other deleterious or harmful materials have been used in the construction of the Property.

As part of the building predates 1999 there is a possibility of asbestos having been used in its construction or subsequent alterations.

We have not been provided with an asbestos survey or management plan as are required by Regulation 4 of the Control of Asbestos at Work Regulations 2002.

Miscellaneous Regulatory Requirements

Disability Discrimination

During our inspection we were not provided with a disability discrimination audit. We are unable to confirm whether the Property complies with the requirements of the Equality Act 2010, which largely replaced the Disability Discrimination Act 2005.

Fire Safety

During our inspection we were not provided with a fire risk assessment as required by the Regulatory Reform (Fire Safety) Order 2005. We are unable to confirm whether the Property complies with the requirement of that order.

3.8 Sustainability

Energy Performance Certificates

Legislative changes under the Energy Act 2011 make it unlawful to rent out and re-let premises with an EPC rating below a minimum level of E from 2018. This applies to any property let on a tenancy which is 6 months or more and less than 99 years in length, and which is legally required to have an EPC. In addition, this legislation will extend to cover existing lettings in 2020 for residential properties and 2023 for commercial buildings.

We summarise below the existing EPC certificates which were all issued on 22 February 2012.

These confirm that each cluster flat falls within the acceptable energy performance range for the purposes of the Act. Although the legislation is not expected to be reviewed again until 2020, the method of assessment may have changed since the EPC certificate was issued. It is therefore advisable to obtain an expert's opinion on whether the building would still comply with the minimum standard if the building was re-certified under the current methodology.

If, on a re-assessment, the Property fails to meet the minimum EPC requirements, capital expenditure may be required in order to upgrade the property to the required standard. Our valuation does not currently reflect the costs of any necessary remedial works and any impact on value that this may have and because of this you may then wish that we review the valuation.

Address	Rating	Date
Flat 1 Cathedral Street Apartments, Lincoln LN2 5HH	C69	22 February 2012
Flat 2 Cathedral Street Apartments, Lincoln LN2 5HH	C69	22 February 2012
Flat 3 Cathedral Street Apartments, Lincoln LN2 5HH	C71	22 February 2012
Flat 4 Cathedral Street Apartments, Lincoln LN2 5HH	C70	22 February 2012
Flat 5 Cathedral Street Apartments, Lincoln LN2 5HH	C76	22 February 2012
Flat 6 Cathedral Street Apartments, Lincoln LN2 5HH	C73	22 February 2012
Flat 7 Cathedral Street Apartments, Lincoln LN2 5HH	C76	22 February 2012
Flat 8 Cathedral Street Apartments, Lincoln LN2 5HH	C72	22 February 2012
Flat 9 Cathedral Street Apartments, Lincoln LN2 5HH	C71	22 February 2012
Flat 10 Cathedral Street Apartments, Lincoln LN2 5HH	E50	22 February 2012
Flat 11 Cathedral Street Apartments, Lincoln LN2 5HH	C69	22 February 2012
Flat 12 Cathedral Street Apartments, Lincoln LN2 5HH	C69	22 February 2012
Flat 13 Cathedral Street Apartments, Lincoln LN2 5HH	E50	22 February 2012
Flat 14 Cathedral Street Apartments, Lincoln LN2 5HH	D64	22 February 2012
Flat 15 Cathedral Street Apartments, Lincoln LN2 5HH	D62	22 February 2012
Flat 16 Cathedral Street Apartments, Lincoln LN2 5HH	C69	22 February 2012
Flat 17 Cathedral Street Apartments, Lincoln LN2 5HH	C72	22 February 2012
Flat 18 Cathedral Street Apartments, Lincoln LN2 5HH	C76	22 February 2012
Flat 19 Cathedral Street Apartments, Lincoln LN2 5HH	C75	22 February 2012
Flat 20 Cathedral Street Apartments, Lincoln LN2 5HH	C78	22 February 2012
Flat 21 Cathedral Street Apartments, Lincoln LN2 5HH	C76	22 February 2012
Flat 22 Cathedral Street Apartments, Lincoln LN2 5HH	C71	22 February 2012
Flat 23 Cathedral Street Apartments, Lincoln LN2 5HH	C74	22 February 2012

Flooding

We have established from the Environment Agency website that the Property is not included in an area identified as at risk from flooding. The Environment Agency flood risk maps are not property specific and only address risk from river or coastal flooding and do not assess risk from surface or ground water flooding.

3.9 Repair

We have not undertaken a building survey nor tested the services to the buildings and it should not be inferred that, in the absence of any comment to the contrary, either the buildings or services are in good condition or free from defect.

Should information subsequently be provided to us to alter our assumption, we would reserve the right to amend our valuation accordingly.

We understand that the Property has been directly managed by the seller since acquisition in October 2012.

On the basis of our valuation inspection we would comment that the accommodation is now in need of a general refurbishment to include the renewal of the communal WC's and shower rooms within the cluster flats, general redecoration with the selective replacement of carpets and floor coverings, and, within the near term, new furniture packs for the individual bedrooms.

The current pricing structure reflects this relatively poor internal specification and the future rental value/rental performance of the scheme should be improve with investment on renewal.

3.10 Useful Economic Life

Providing adequate routine maintenance is undertaken, we consider that the building has a remaining economic life in excess of 25 years.

3.11 Tenure

We understand that the Property is held long leasehold under two titles, LL248104 and LL248119, each for a term of 125 years from 20 August 2004

We understand that the rent is a fixed nominal sum.

The address recorded on the register of title is Geoffrey Church Building, 28-32 Lindum Road, Lincoln LN2 5HQ.

We have not been provided with a report on title and have assumed that the interest is good and marketable.

We **recommend** your solicitor verifies our understanding of the Property tenure, and in particular the access rights held over Cathedral Street.

3.12 Local Taxation

Student accommodation is exempt from business rates and student halls of residence are automatically exempt from Council Tax. The studios therefore do not currently attract a non-domestic business rates liability nor an individual Council Tax liability in respect of each room.

3.13 Planning

The Property is designated within the Central Lincolnshire Local Plan adopted 24th April 2017, within the Central (Lincoln) Mixed Use Area and within Conservation Area No 1 – “Cathedral and City Centre”.

We have not had sight of any specific planning consent(s) in respect of the Property and in arriving at our opinion of value we have assumed that the current use of the Property is fully compliant with all extant permissions.

We understand that the Property is not Listed but does lie within a conservation area.

We understand that there are no local authority or other proposals that might involve the use of compulsory purchase powers or otherwise adversely affect the Property.

We **recommend** your solicitor verifies the planning status of the Property.

3.14 VAT, Taxation and Costs

We have not made any adjustments to reflect any liability for taxation that may arise on disposal, or for any costs associated with disposal incurred by the owner. No allowance has been made to collect any liability or repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

If calculating the Market Value as an investment, we have made deductions to reflect purchaser’s normal acquisition costs.

3.15 Tenancy

Occupational leases

We understand that the scheme is directly managed by the seller with each individual cluster bedroom let under a standard Residential Licence Agreement, under a 48 week contract, allowing routine maintenance to take place through August prior to the start of the academic year.

We have not had sight of a sample licence and we recommend that this matter is reviewed by your solicitors.

We understand there is no nomination agreement in place with either of the city’s universities.

The seller has provided a summary of the gross rental income received for financial years ending 30 June 2015, 30 June 2016, 30 June 2017 and 30 June 2018, and has advised via the sales particulars that that the scheme was fully let through the 2018/19 academic year producing a gross annual rental income inclusive of utilities of £375,888.

These figures are summarised below.

The seller has also advised that the scheme is fully reserved for the 2019/20 academic year at the same gross annual rent as last year, ie £375,888.

Year	Gross Rental Income
2014/15	£355,597
2015/16	£377,542
2016/17	£367,043

2017/18	£374,371
2018/19	£375,888

These figures demonstrate to date a consistent and reliable gross income profile, and a track record of consistently achieving almost 100% occupancy.

Please note, we have not been provided with audited accounts and this matter should be reviewed prior to making an irreconcilable purchase decision.

Facilities Management (FM) Costs

FM costs are made up of;

- Utility Costs – Energy costs (includes electricity, gas, water, WiFi).
- A maintenance and sinking fund – repairs and maintenance together with an appropriate sinking fund provision for planned and preventative maintenance.
- Direct Costs – the direct costs of property management including lettings, room management and rent collection.
- Labour – direct labour costs required for the management of the property.

FM costs vary significantly depending on the service level and the blend of rooms (clusters viz a viz studios). Depending on the likely purchaser it may also be necessary to allow for a central management cost or a 3rd party management cost.

The normal market range is between 20% to 35% of gross rental income, dependent on specification and rental levels, with a figure of circa £1,200 to £2,000 per room the market norm.

Clearly in locations where general property prices drive-up the cost of HMO rentals, FM costs will be at the lower end of the percentage range. Conversely where room rentals are lower, within a cluster scheme such as Cathedral Street, FM costs will trend at the higher end of the % gross income bracket, and as a judgement without specific data to the contrary we would be looking at a range of 30% to 35%.

You have provided a summary of the FM costs incurred by the seller, as well your own forecast for 2019/20 and these are summarised below.

Year	FM Cost
2015/16	£102,951
2016/17	£95,155
2017/18	£95,728
2018/19	Not available
2019/20*	£126,989

*Forecast

Interestingly your own forecast for 2019/20 reflects approximately 33.78% of the reserved gross income for 2019/20, which is comfortably within this range and in our opinion is therefore reasonable.

3.16 Income

On the basis of the above the current (2018/19) and forecast (2019/20) net income profile is as follows:

Year	Gross Income Rental (100% Occupancy)	FM Cost	FM Cost as % of Gross Income	Net Income
2014/15	£355,597			
2015/16	£377,542	£102,951	27.27%	£274,591
2016/17	£367,043	£95,155	25.92%	£271,888
2017/18	£374,371	£95,728	25.57%	£278,643
2018/19	£375,888	Not available		Not available
2019/20*	£375,888	£126,989	33.78%	£248,899

*Forecast

4 MARKET CONDITIONS AND TRENDS

4.1 Economic Overview

- The Bank of England (BoE) voted unanimously to keep rates on hold at its latest meeting.
- With just under two months to go until the October deadline, the probability of a 'No Deal' has increased to 40% (BNP Paribas).
- The overall PMI index points to stagnation in the second quarter for the UK economy.
- The labour market continues to show remarkable strength with the unemployment rate falling to 3.8%.
- UK inflation was 2% (BoE's inflation target) in June, no change on the previous month.
- The 10 year government bond yield averaged 0.84% in June - the lowest since Sept 2016, and the current rate is lower still at 0.70%.

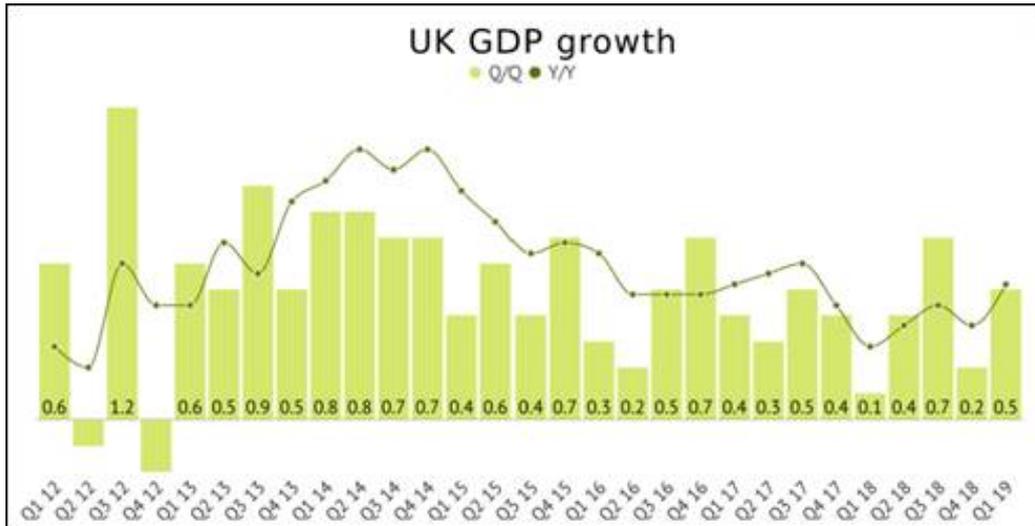
At a national level, the UK economy grew at its slowest annual rate for six years in 2018. National GDP expanded by 1.4% last year, down from 1.8% in 2017 and with little momentum moving into 2019. Although GDP growth did accelerate in Q1 2019, with the economy growing by 0.5% versus 0.2% in Q4 2018, this was largely driven by stock-building by firms preparing for the possibility of a 'no-deal' Brexit in March. Indeed, the manufacturing sector posted its strongest growth rate since 1988.

The dominant services sector was more subdued, expanding by 0.3% in Q1 2019, while business investment remains weak in light of ongoing Brexit-related uncertainty (business investment fell by 1.4% in 2018, and survey results from Q1 2019 show business sentiment falling to its weakest level since 2012). Economic growth is expected to moderate in 19Q2 as the stock-building boost of the previous quarter unwinds. It will continue to be propped up by consumer spending, helped by the persistent strength of the labour market (the unemployment rate remains at historically low levels) and a long-awaited rise in wage growth.

Oxford Economics expects the UK economy to grow by 1.5% in 2019 and by 1.7% in 2020 (forecasts as of May 2019), supported by sustained growth in household spending power and looser fiscal policy. Forecasts are predicated on the UK achieving an orderly exit from the EU, with weaker growth likely should a 'no-deal' Brexit occur in October 2019.

Continued political uncertainty and the ongoing leadership contest following Theresa May's resignation are believed to be the reasons behind the Bank of England's vote to keep rates on hold at the last monetary policy meeting. BNP Paribas have now estimated the probability of a 'No Deal' Brexit has reached 40% likelihood, particularly in light of Boris Johnson's recent appointment.

Amidst the uncertainty, latest figures show UK GDP grew by 0.5% in the first quarter of 2019, faster than the Eurozone (0.4%). This was up from 0.2% growth seen in the final quarter of last year, which is also the strongest growth since Q3 2017.



Unemployment is at a record low of 3.8% UK wage growth exceeded expectations in April, with regular pay rising 3.4%. Despite this, inflation is currently at the Bank's target of 2%. Wage growth has always been held back by low productivity, latest figures show UK labour productivity declined by 0.2% in Q1 2019 compared to the previous quarter with businesses now experiencing higher revenues.

Brexit uncertainty continues to hamper business investment therefore future productivity gains are likely to remain muted, especially until there is more clarity. Businesses are reluctant to commit to spending preferring to hire workers instead.

The Bank of England voted unanimously to keep rates on hold at the latest monetary policy committee meeting. Quantitative easing was also left unchanged at £435bn. To understand the Bank's decision it is important to look at what has changed since the last meeting. Theresa May resigned, which kicked off the leadership contest for the next Conservative leader and therefore the next PM. With just under five months to go until the October deadline, the probability of a 'No Deal' has increased to 40% (BNP Paribas).

Another significant development has been the intensification of world trade fears, which has affected the manufacturing sector. The latest manufacturing PMI fell below 50 for the first time since July 2016 – the month that followed the EU Referendum vote. Demand has certainly tapered off due to the on-going global trade tensions but also due to businesses beginning to unwind the inventories built up before the original Brexit date which fell in March.

Aside from the bleak performance shown by the manufacturing sector, other data is holding up better. The services PMI picked up in May to 51 compared to 50.4 in the previous month. Despite this, collectively the overall PMI index points to stagnation in the second quarter for the UK economy.

The current climate of political impasse continues to have a negative effect on the overall UK retail market. However, the mood in the broader sector has not worsened since the end of 2018 – there are several positive trends which have continued in the opening months of 2019. The labour market seems relatively unhindered by Brexit uncertainty - unemployment fell to 3.9% in the three months to January, the lowest level for 44 years. For the same period, real wages excluding bonuses rose by 1.4% y-o-y. Consumer confidence improved slightly during Q1, although remains delicate due to consumer fears about the future of the economy, according to GfK. Additionally, retail sales benefitted from an unseasonably warm February, with volumes growing by 4% y-o-y for the period.

UK retail footfall decreased by 0.5% in April 2019, with the number of shoppers visiting retail locations falling to the lowest level in five years, according to the BRC/Springboard footfall

monitor. Shopping centres once again saw shopper numbers hit, with a fall of 2.1%. For the same period, retail parks bucked the trend and saw numbers rise by 0.8%, whilst high street footfall fell by 1.0%. Potentially the most concerning message from the April data was that town centres vacancies climbed to 10.2%, the highest since April 2015.

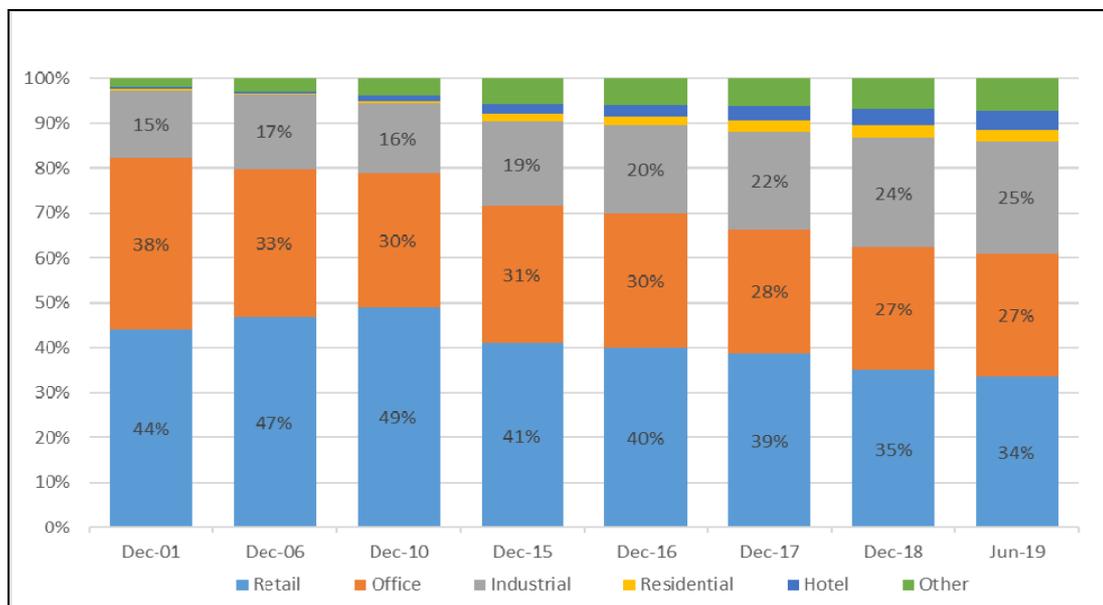
With employment at record levels there are concerns that this is not pushing further growth in wages. UK wage growth certainly exceeded expectations in April, with regular pay rising 3.4%. Despite this, inflation is currently at the Bank’s target of 2%. The Bank believes that this will start to feed through to inflation pressures over the medium term.

However, recent research by a campaign group - the Living Wage Foundation argue headline statistics are masking the true story. Although unemployment is back to pre-crisis levels more people are “underemployed i.e. in temporary or part time roles. Wage growth has also been held back by low productivity. Higher productivity means higher wages as businesses benefit from higher revenues with fewer resource.

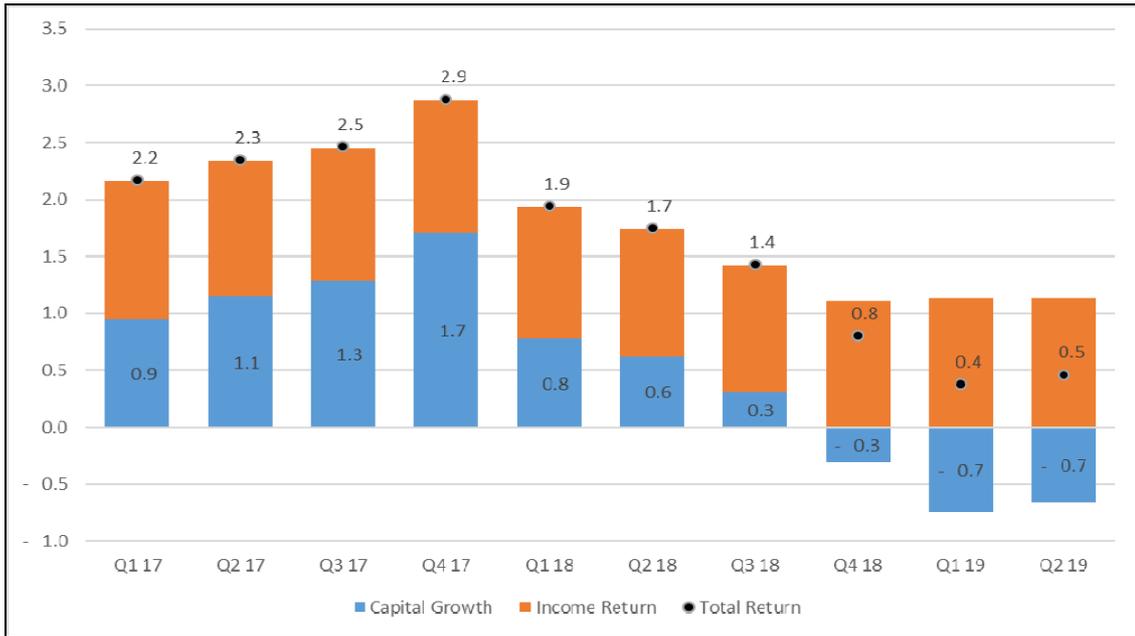
It is worth noting the UK is not alone in suffering from weak productivity growth. Brexit uncertainty continues to hamper business investment therefore future productivity gains are likely to remain muted, especially until there is more clarity. Businesses are reluctant to commit to spending preferring to hire workers instead.

4.2 UK Property Market Overview

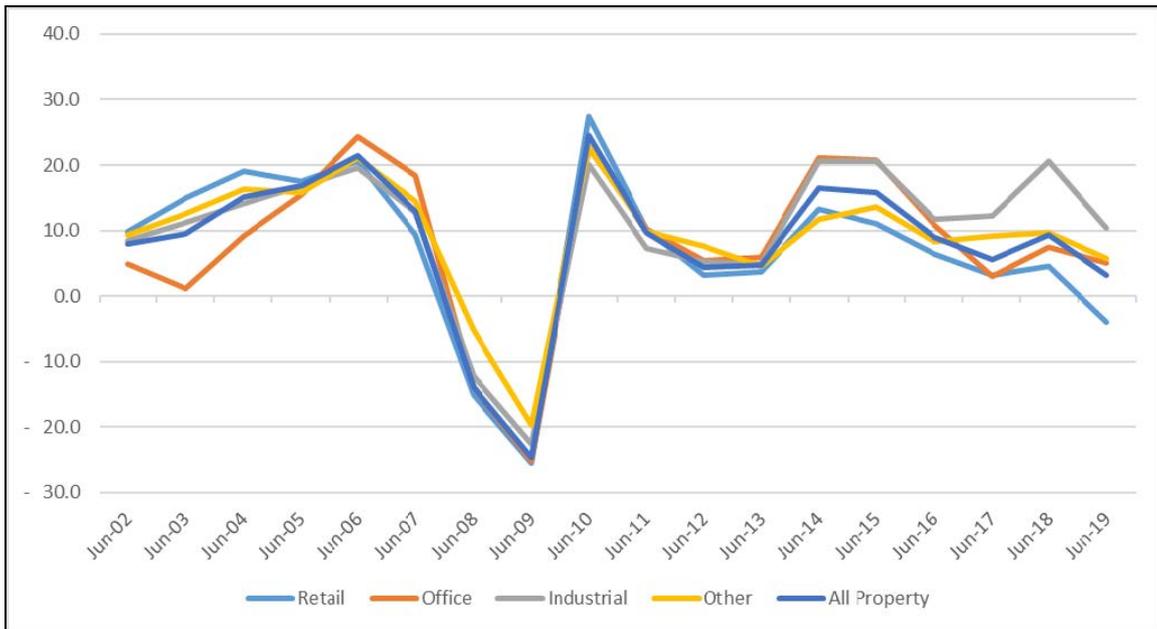
The MSCI Quarterly Property Index from Q2 2019 highlights the continuing shrinking of the retail sector in stark contrast with the burgeoning of both the industrial and “alternative” sectors, as falls in capital values and re-purposing of sites has seen a continuation of a shift being witnessed over the last 10 years



Q2 2019 witnessed the third quarter of negative capital growth in a row, with income return unable to off-set a slide in capital returns.



Indeed, there was a slowdown across all sectors over the past year, suggesting that external factors such as wider economic and political conditions were starting to impact on an otherwise healthy picture.



The sectoral breakdown of the UK property picture outlines that most retail segments remain in negative territory, at odds with the office, industrial and alternative sectors that continue to evidence positive returns over both a quarterly and yearly timeline.

	3-MONTH TOTAL RETURNS (%)		12-MONTH TOTAL RETURNS (%)	
ALL PROPERTY	0.4		4.4	
RETAIL	-1.3		-2.8	
<i>Supermarkets</i>	<i>1.4</i>		<i>6.0</i>	
<i>Standard Retail - Central London</i>	<i>0.3</i>		<i>3.6</i>	
Standard Retail - South East	0.1		2.2	
Standard Retail - Rest of UK	-0.8		-2.0	
Retail Warehouses	-1.7		-4.1	
Shopping Centres	-2.9		-7.3	
OFFICE	1.1		5.7	
Offices - Rest of UK	1.2		7.4	
Offices - Rest of South East	1.1		5.8	
Offices - West End	1.1		4.5	
Offices - City	0.8		6.1	
INDUSTRIAL	1.7		13.7	
Industrials - South East	1.9		15.3	
<i>Distribution Warehouses</i>	<i>1.5</i>		<i>11.3</i>	
Industrials - Rest of UK	1.4		11.0	
RESIDENTIAL	1.0		5.5	
HOTEL	1.6		7.9	
OTHER PROPERTY	1.0		6.7	
Healthcare	1.5		9.1	
Leisure	0.6		7.9	

Sorted by 3-month total return * The segments shown in italics nest into other segments, shown for added granularity Source: MSCI Global Intel

4.3 UK Student Accommodation Occupational Market

Overview

The purpose built student accommodation (PBSA) market in the UK expanded rapidly during the economic downturn, based on an underlying resilience in the demand for higher education and strong relative returns compared to mainstream commercial property investment. The effects of Brexit are yet to be experienced and understood fully upon the wider commercial property investment market. However, the PBSA market is considered to be one that has fundamentals that are resilient to macroeconomic changes, compared to traditional property asset classes such as office and retail. The unique occupational market that is driven by the UK's Higher Education system which is home to over 160 Institutions and over 2.3million students from around the world. This has cemented the UK's Higher Education as internationally world leading being driven by the high standard of facilities, teaching quality, academic results and notable alumni. The UK is currently home to 8 of the top 10 universities in Europe and 30 of the top 200 universities globally.

Through direct and secondary effects, the sector contributes £73bn to the UK economy (c2.80% GDP). The UK government has recognised this and has taken steps to ensure that international students are able to move freely to allow the UK to flourish as an internationally significant education destination.

Student Numbers

According to statistics from Higher Education Statistics Agency (HESA), for the AY 2017/2018 the total number of students at Higher Education institutions was 2,343,095. This was an increase of 1% on AY 2016/2017 and can be attributed to an increase of masters taught courses attracting an increasing number of students primarily from international students but also from UK domiciled students where postgraduate loans for master's students were made available in 2017/2018. The number of full-time students in the UK stands at 1.8 million. The student accommodation market focuses on the total number of full-time students attending higher education institutions as this proportion are mostly like to take-up PBSA compared with part-time students.

Higher Education Full Time Student Enrolments

Domicile	2013/14	2014/15	2015/16	2016/17	2017/18	% of total
UK						
England	1,082,685	1,077,920	1,112,540	1,158,495	1,181,970	64%
Wales	61,770	62,810	64,130	66,185	67,775	4%
Scotland	113,220	114,170	116,175	118,360	121,340	7%
Northern Ireland	46,245	46,425	46,720	47,320	47,665	3%
Other UK	3,760	3,520	3,440	3,455	3,475	0%
Total UK	1,307,675	1,304,845	1,343,000	1,393,815	1,422,225	77%
Non-UK						
Other European Union	106,910	107,915	112,410	120,225	125,125	7%
Non-European Union	281,355	283,965	285,120	284,000	297,185	16%
Total Non-UK	388,260	391,880	397,530	404,225	422,310	23%
Not known	0	45	15	10	10	
Total	1,695,940	1,696,765	1,740,540	1,798,050	1,844,545	

The increase in university tuition fees in September 2012 caused a small fluctuation in student numbers in the UK, however the lifting of the cap on university places in 2015/2016 has helped to sustain the increase in student's year on year. There has been a steady decline in the number of 18 year olds applying to universities which is expected to reach a low point in 2020 but then increase by 10% in the five years to 2025.

International Students

Globally mobile students who study outside their country of origin is predicted to rise to 8 million by 2025. An estimated 5 million students are currently studying outside their country of origin, more than double the 2.1 million in the 2000. This growth is fuelled by the rise in the middle class wealth across the emerging economies (as seen in China in the last few years).

The number of international students has grown year on year with 21.5% more full time students in 2015/2016 than there were in 2005/06. The total number of non UK students studying in the UK for AY 2017/2018 was 422,310 reflecting a 23% proportion of total student numbers. The UK continues to attract the globally dynamic millennial who make up the target market of PBSA. In the ten years since 2005/2006 postgraduate numbers have increased by 30.3% largely driven by the increase in international students. The number of international students both full and part time has risen by 32.7% in the same period.

Postgraduate and international students are considered critical to the PBSA market as this proportion of the demographic are key occupiers in many schemes. International students usually require a secure, comfortable and sociable accommodation for their time abroad, of which the HMO market is unable to provide. Similarly post graduates returning to study often seek communal accommodation rather than sharing with friends in HMO accommodation.

The table below shows the number of international students in the UK ranked by country. China is by far the largest provider of international students in the UK Higher Education sector. The number of Chinese students studying in the UK has grown by 38% since 2010/2011. Of the international students 138,000 (30%) were EU students and 312,660 (70%) non EU students.

Top 10 Non-EU Sending Counties

Country of Origin	Number of International (non EU) Students in AY 2016/2017
China	95,090
Malaysia	16,370
United States of America	17,850
India	16,550
Hong Kong	16,680
Nigeria	12,665
Saudi Arabia	8,065
Singapore	7,300
Thailand	6,175
Canada	5,915

Top 10 EU Sending Countries

Country of Origin	Number of EU Students in AY 2016/2017
Germany	13,735
France	13,560
Italy	13,445
Republic of Ireland	10,070
Greece	10,045
Cyprus	9,145
Spain	8,820
Romania	8,110
Poland	6,585
Bulgaria	6,585

Student Housing Supply

The number of PBSA in the UK for AY 2018/2019 rose to 627,115 beds with 31,348 delivered for this academic year. This is the largest increase on record; however it is off-set by approximately 12,000 beds taken out of the market to be refurbished or repurposed. On a macro level, the PBSA market remained steady with supply unable to meet demand, however at a micro level, each market displays different dynamics. Core markets such as Manchester have benefitted from increases in student numbers but limited historic PBSA due to barriers to entry and increasing development costs. Emerging markets such as Colchester are relatively immature in terms of their provision of PBSA and are characterised by good quality universities but low PBSA stock availability. Mature markets such as Liverpool have had a high availability of development land and have seen an increase in

supply of PBSA in recent years. Price sensitive markets such as Nottingham have experienced a boom in development but the underlying demand for luxury accommodation is minimal. Affordable products are the drivers of this market with the strongest performance coming from ensuite and non ensuite rooms.

Development Pipeline

The PBSA sector in the UK has demonstrated a greater reliance on the private sector to deliver student accommodation. The private sector developers will deliver 74% of the total beds due to be completed by 2020 and 84% of the beds built for the AY 2018/2019. Excluding London, the development pipeline in 40 major locations now stands at 108,000 bed spaces, with almost three quarters of these have planning consent.

This delivery of new bedrooms will increase the stock of PBSA by a total of 4.30% but is unlikely to address the current supply/demand imbalance evident in a number of key cities. Across the UK as a whole there are 3.1 full time students for every one bed space.

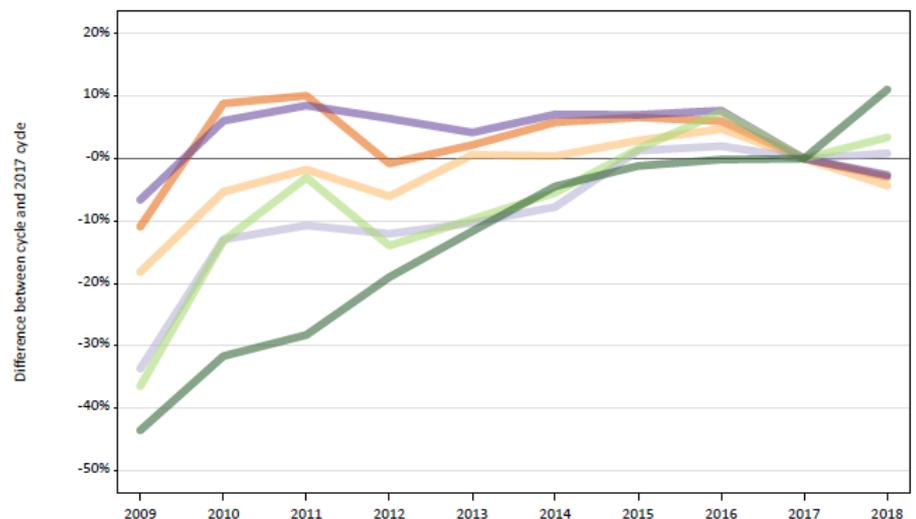
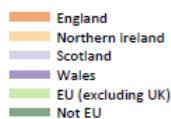
The majority of PBSA student beds are owned and operated by Universities, accounting for 69% of current stock. However, data shows that universities are becoming increasingly reliant on the private sector to provide accommodation for their students either for expansion or to replace dilapidated older stock.

The type of stock being developed is moving away from high end studio accommodation targeting the top of the market, to less expensive accommodation of cluster flats with shared kitchens and lounges. The balance of new stock in 2019/2020 is likely to be less expensive than in previous years which may mark the shift in development towards more affordable stock as affordability pressures in key cities are felt. However, pricing is likely to face an upward pressure as the high costs of development affect viabilities of new schemes

Demand for PBSA

Overall, we consider long term demand is still increasing faster than the supply, despite the increased development pipeline and slight fall in student numbers. As seen from the data below, UCAS applications have decreased by 1.00% since the 2017 cycle, however since 2009, applications have increased by 18% to the 2017 cycle.

Higher Education Applications



D.2 Applicants for all courses by domicile group

Domicile of applicant	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
England	343,860	419,990	424,800	382,840	394,330	408,300	411,420	408,990	385,870	374,440
Northern Ireland	15,940	18,440	19,130	18,290	19,590	19,550	20,040	20,400	19,470	18,630
Scotland	29,550	38,760	39,760	39,170	39,950	41,080	45,100	45,420	44,530	44,900
Wales	18,330	20,810	21,290	20,880	20,440	21,010	21,000	21,130	19,620	19,100
–UK	407,680	498,000	504,980	461,180	474,310	489,940	497,550	495,940	469,490	457,070
EU (excluding UK)	26,730	36,530	40,790	36,210	37,990	39,780	42,720	45,220	42,070	43,510
Not EU	29,730	35,980	37,760	42,640	46,510	50,290	52,020	52,560	52,630	58,450
–All	464,140	570,510	583,530	540,020	558,820	580,000	592,290	593,720	564,190	559,030

D.3 Applicants for all courses by domicile group Difference between cycle and 2017 cycle

Domicile of applicant	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
England	-11%	9%	10%	-1%	2%	6%	7%	6%	0%	-3%
Northern Ireland	-18%	-5%	-2%	-6%	1%	0%	3%	5%	0%	-4%
Scotland	-34%	-13%	-11%	-12%	-10%	-8%	1%	2%	0%	1%
Wales	-7%	6%	9%	6%	4%	7%	7%	8%	0%	-3%
–UK	-13%	6%	8%	-2%	1%	4%	6%	6%	0%	-3%
EU (excluding UK)	-36%	-13%	-3%	-14%	-10%	-5%	2%	7%	0%	3%
Not EU	-44%	-32%	-28%	-19%	-12%	-4%	-1%	0%	0%	11%
–All	-18%	1%	3%	-4%	-1%	3%	5%	5%	0%	-1%

(Source: HESA)

As the data above shows, the number of applications made from outside the UK is just under 20% of total applications. Of particular note are the increasing numbers of students applying from outside the EU, most notably China, which is particularly relevant within the context of Brexit. While applications have fallen, the offer rate has increased by 1.30%. Consistent with the fall in numbers of applications and the increase offer rate, the number of applications receiving no offers and the number of applications receiving at least one offer each decreased by 12.30% and 0.90% respectively, compared to 2017. Although the demand/supply dynamic is favourable to those investing or developing PBSA, against the generally positive backdrop there are important pieces of evidence to note.

UCAS data for 2018 undergraduate applications show an overall 1% decline, however it is interesting to note the level of decline in the tariff groups. Higher, medium and lower tariff groups are based on the average level of attainment of their UK 18-year old acceptances, summarised through UCAS Tariff Points. Applications to higher tariff institutions declined by 0.40%, however to medium and lower tariff institutions they declined by 2.50% and 3.90% respectively. This follows a trend which has been steadily emerging since the changes to the tuition fee system in 2012 which resulted in an increasingly marketised student base seeking out courses and institutions delivering the best value for money. The removal of the cap on numbers of students has allowed top performing universities to take on a greater number of students. Data collected from the Russell Group in December 2018 show an increase of applications from the EU by 3.00%.

42% of full time student growth to 2016/2017 occurred in the top 10 fastest growing institutions that were a combination of Russell Group and post 1992 universities. Conversely, the bottom five institutions lost 25% of their intake of the same period. What is clear is that divisions are evident between the top 50 and bottom 50 universities, reinforcing the High and Medium tariff institutions accelerating away from the Medium-Low institutions. High Tariff universities, with their international reputations, are consistently able to attract international students and increase their UK and non-UK student numbers.

% Growth 2012/2013 – 2016/2017 in Student Number Growth by Tariff Band

	High Tariff	Medium Tariff	Low Tariff
International	21%	16%	-15%
EU	23%	15%	2%
All	14%	15%	-2%

While the evidence suggests that students are becoming more discerning in their choice of course and institution, the same applies when it comes to choosing their accommodation. Students are making complex buying decisions and it is not a 'room at any price.' This highlights the need for developers and operators to fully explore the dynamics of individual markets to ensure success and properly meet student needs and expectations. Whilst many commentators cite a move by students towards demanding higher quality accommodation and that an operator's brand is key to attracting students, others suggest that there is also a cost-driven sector interested only in cheaper accommodation. As such there is still expected to be demand in the market for Houses in Multiple Occupation (HMO's) as well as halls of residence.

Further notable developments in the market over recent years which are likely to continue to impact demand should current trends continue have been an increase in the numbers of third years returning to PBSA, higher numbers of students undertaking postgraduate studies and an increase in the number of students studying outside of their home region (up over 56% since the 1999/2000 academic year)

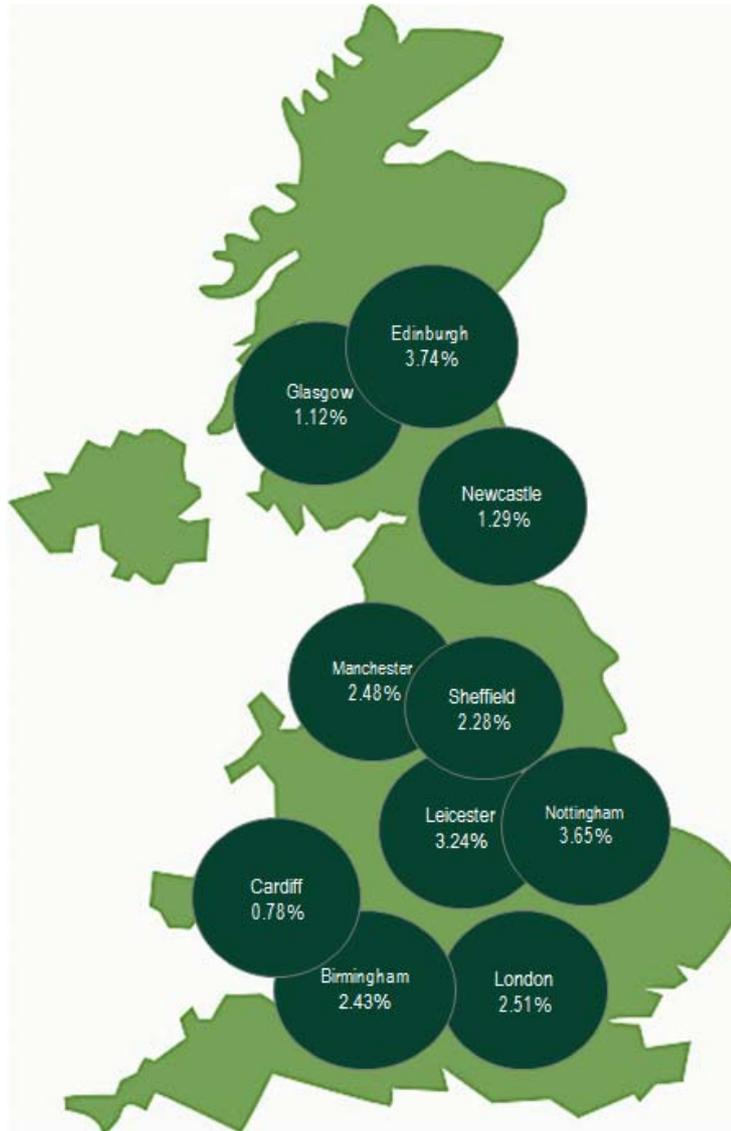
Rental Performance

Headline rental growth for UK PBSA accommodation increased by 2.80% for the 2018/2019 academic year, marginally down from 2.55% in AY 2017/2018. As the sector becomes more mature the expectation is that rental growth will slow as a result. While the macro picture shows stabilised rental growth as a UK average, individual markets are experiencing very different levels of performance, based on the balance of supply and demand. For example, cities with a large and expanding student population and modest development pipeline, such as Manchester, are outperforming the rest of the market. Cities with a high level of existing PBSA stock and stronger development pipeline, relative to the number of students, are experiencing more modest (if any) growth. On the whole, the rental values across the sector have been positive in 95% of the cities, despite the different degrees of supply relative to demand in individual markets.

Rental growth for en-suite and non en-suite rooms with shared kitchen facilities continues to strengthen compared with self-contained studios in AY 2018/2019. This reflects a rise in the demand for affordable bed spaces and suggests that many students are not able to afford the new high specification PBSA provided by luxury operators. Indeed, the top 10% of en-suite bed spaces by price (excluding London) saw marginal or no rental growth (less than 1%), yet bed spaces with the lowest 10% of rents have increased at an average of 3.70%.

While some new developments are beginning to move away from just providing studio accommodation, it is still the case that the most recent new PBSA has been at the premium end of the market. The lack of new and affordable direct let accommodation is underpinning the outperformance of the lower priced stock compared with the rest of the market.

2018/2019 Headline Rental Growth UK



4.4 Risks for UK Student Accommodation Sector

Student Population

Overall student numbers have grown year on year until 2017, with a marginal decrease in applications in 2018. We are confident in the wider appeal of UK Higher Education amongst domestic and foreign students to ensure continued demand for education in the UK. The demand for higher tariff universities means that lower profile universities are the most likely institutions to experience any potential fall in student numbers.

Change in Tuition Fees

Whether a rise or fall of tuition fees, it is likely to have an impact on the numbers of students attending university and therefore impact on the occupational market. While a rise in tuition fees may cause a fluctuation of the number of applications, evidence from the increase in 2009 has shown the number of applications has grown year on year. The rise could deter UK students from attending university but with nearly 20% of applications coming from international students, any drop in UK domiciled students may not have a great an impact as thought with a 20% buffer of international students.

Conversely, the Russell Group have said that there would be a “de-facto” cap on student numbers if fees fell to £6,500 from £9,250, as has been suggested by the Argur Review (a government backed review of student finance). The Russell Group have claimed that there would be a significant income shortfall and if the government does not replace the loss of income, funding for higher education would be reduced. In 2000, income from tuition fees was £2.6bn and by 2016 it has grown by 500% to £15.6bn, as a result of the removal of the cap on students. Tuition fees currently comprise 59% of the total sector finance with the remainder made up from council funding and research grants. Vice chancellors have warned that if the institutions face funding cuts then the number of places for students would be reduced.

Brexit

We are of the opinion that Brexit will, in the short term, not affect UK Higher Education institutions ability to attract and secure international students. The sector has proved itself resilient to economic downturns and therefore, should there be a sharp decline in the economy the PBSA are likely to be largely unaffected. The UK’s Higher Education institutions are globally renowned education centres and in the wake of the referendum student numbers have increased. The government has also confirmed that students coming to the UK from any country in the EU would be eligible for student loans, nor would any funding be withdrawn. With clarity from the government and their recognition of the importance of this sector, the number of international students and applications for places can continue to rise.

It remains to be seen if there is a fluctuation in numbers of applications for the 2019/2020 academic year, but with 70% of non EU students making up the total number of international students, any decrease in numbers are unlikely to affect the market significantly. Indeed, the top 5 EU sending countries do not make up the total number of Chinese students in the UK.

Economic Downturn

From an occupational perspective, the sector demonstrates a counter cyclical trait, as show in the increase in student numbers from 2008, 2009 and 2010; the theory being that that more people study when the job market contracts, potentially mitigating any downside risk in the event of any economic decline. Data shows that rental growth for PBSA continued at 3.00% - 4.00% during the financial crisis, where rental values fell in the wider commercial property market.

Oversupply and demand falls

The UK market on the whole is characterised by a shortage of supply with students showing increasing appetite at all price points, be it for high quality, modern and secure accommodation as well as affordable, communal accommodation as well. At present, the current supply is unable to fulfil the demand, however each university city displays individual supply/demand dynamics. Cities such as Manchester and London have barriers to entry including high land and building costs, restricting supply. Mature markets such as Liverpool have experienced a number of large PBSA developments completing increasing the competition for existing PBSA.

4.5 UK Student Accommodation Investment Overview

Overview

The Student Housing market continues to demonstrate its resilience to wider economic volatility, with investor demand remaining strong and total investment volumes for 2018 exceeding £3.2b. Although this is below the five year average, as seen below, approximately £750m of assets were under offer going into 2019 of which several large portfolios have completed. Investors are trending towards focusing their capital on income producing assets in core university city locations that are underpinned by good occupational demand.

Alike many UK property sectors over 2018/2019, overseas investors continue to dominate the PBSA market, with a competitive Sterling and strong investment fundamentals over the long term driving prices. 55% of 2018 transactions were from overseas investors with a broad spectrum of demand from investors in the Far East, the US and continental Europe. With such weight of equity coming in to the market, where best in class assets remain in favour, yield compression is apparent. This is particularly clear in London and surrounding locations, where prime yields have hardened to 4.00% and 4.25% respectively. On average yields in the PBSA sector have moved in by 25-50 bps.

Portfolio transactions accounted for 62% of the total transactions in 2018, showing that investor appetite for larger transactions remains high. Recent portfolio transactions include the Stellar Portfolio of 1,857 beds, the Mayflower Portfolio of 3,436 beds and the largest in 2018; the Enigma Portfolio of 5,407 beds.

Headline rental growth for the PBSA sector across the UK has increased by 2.80% for the 2018/2019 academic year down from 2.55% on the previous academic year. Glasgow has seen relatively weak rental growth at approximately 1.12% and rental growth is expected to slow as the sector matures and development increases. Slower growth this year can also be attributed to a slow residential market.

Market Activity

The UK PBSA sector continues to draw attention from both international and UK institutional investors. The sector has gained a defensive reputation by outperforming the majority of commercial property in the wake of the financial crisis and fall out of the referendum result. The perception of the sector as a secure investment is reinforced through the high levels of international interest. Singaporean, Malaysian and Middle Eastern capital as well as UK institutional funds have displayed strong investor appetite through large portfolio acquisitions and forward funding deals.

Funds were the most active investors in the sector over the course of 2017, investing around £1.4bn reflecting 47% of the total investment. Private equity firms accounted for 24% and institutional investment making up a further 12%.

Yields

Yields on PBSA deals continue to sharpen during the course of 2018, with the weight of capital continuing to put a downward pressure on yields. Demand for good quality assets remains strong, as evidenced by a number of prime regional direct let asset transactions. In some places there has been a 50 bps inward yield shift as institutions compete with new overseas investors for the larger single trophy assets.

Student Yields	Dec 2017	Dec 2018	Sentiment
London (Zones 1 & 2) (Lease)	3.75%	3.50%	Strengthening
London (Zones 1 & 2) (Nomination)	4.25%	4.00%	Strengthening
London (Zones 1 & 2)	4.50%	4.25%	Strengthening

(Direct-Let)			
Super Prime Regional (Direct-Let)	5.50%	4.75% - 5.25%	Strengthening
Prime Regional (Direct-Let)	5.75%	5.50%	Strengthening
Secondary Regional (Direct-Let)	6.50%	6.25%	Stable
Other/Tertiary Regional (Direct Let)	8.00%	7.00%	Stable

Outlook

Over the last six months we are starting to see the impact of the London Plan on the investment sector. With the new affordability requirement, alongside the nomination agreement requirements, demand is being driven for existing stock where these restrictions do not apply. As a result there are a number of deals progressing showing a 50 – 75 bps downward shift since 2017 for both prime and outer London.

We are also seeing demand for stock that offers more affordable rents in strong locations that provide good income return. Affordable accommodation is outperforming the high end studio accommodation in terms of rental growth and core cities with high and medium tariff universities are experiencing the growth in student numbers. We predict that demand for existing stock that has intensive asset management potential to drive rental growth in core cities will continue to be in demand from a variety of investors.

Assets with a proven track record remain firmly in demand and we anticipate liquidity in the investment market will be maintained in 2019. Following the recent spate of portfolio sales in 2016 - 2018, we expect to see a return to a largely single asset market, with strong demand anticipated for quality operational assets, forward funding deals, and sites from private equity houses and the larger owner-operator platforms. With operators wanting to build scale quickly there has typically been a value weighted average portfolio premium of 25 - 50bps observed.

With the ever increasing barriers to entry for new entrants into the market including increased build costs, planning restrictions and the cost of land, any new entrant is automatically faced with strong head winds making new developments financially unviable. With this in mind, investment will continue to be heavily weighted to existing assets with a proven track record that carries none of the risk of building out from new. The chance to purchase portfolios enables scale and with that, economies of scale, when it comes to operating and management costs. As has been proven from the recent portfolio transactions, we would anticipate that any large scale portfolios to come onto the market will attract considerable interest from UK institutions and international funds.

With this increasing supply in mind, investors are now citing a number of factors which often deter them from pursuing opportunities which are brought to market. These include substantial levels of both existing and pipeline supply in the particular town or city and weak micro-location factors such as the provision of amenities or distance to the campus. A further reason cited is an inappropriate scheme design in terms of the type of rooms and specification. Balanced against a growing supply line, it should be remembered that there are now more students seeking PBSA than ever before. The current ratio of three students for every one purpose built bed space reaffirms the ever growing demand from students; however this can vary widely across regions and cities.

Investment Market and Brexit

In terms of the PBSA market, investor demand remains strong with a diverse spectrum of capital looking to access the sector. We are confident that the occupational market will continue to drive investor demand with the UK's international reputation drawing students across the globe for the foreseeable future. The government has recognised the importance and contribution of the UK's higher education towards the UK economy and reaffirmed their commitment to international students by allowing them access to loans post Brexit. The cost of a UK education remains very competitive against the cost a US education with the value of Stirling falling against most major countries such as China, Malaysia, India and Singapore.

Student accommodation has proven resilient to economic downturns, in particular the last financial crisis, where student numbers grew. During an economic down turn, there is a trend for students to remain in education or people to return to education, known as "up-skill", while the jobs market is depressed. While the repercussions of Brexit within the wider and PBSA market are still unknown, we are confident that the investment market will remain active.

4.6 Overview of Lincoln's Student Accommodation

There are over 16,000 higher education students in the city of Lincoln affiliated to one of the two universities; the University of Lincoln and Bishop Grosseteste University College. The universities within Lincoln provide in the region of 6,000 bed spaces to their students. The accommodation comprises predominately self-catered rooms within cluster flats and a mix of standard and en suite rooms. The University of Lincoln has two on-campus halls of residence and either owns, manages or endorses a further 19 off-campus locations.

University rents for self-catered accommodation in 2018/2019 range from approximately £70.00 to £110.00 per week for standard rooms and £90.00 to £150.00 per week for en suite rooms. Studio rooms range from approximately £130.00 to £210.00 per week. Standard and en suite rooms are typically let for terms of between 40 and 48 weeks. Studio flats are typically let for terms of between 50 and 51 weeks. Rents are paid inclusive of bills.

The requirements for student accommodation cannot be met by the purpose built sector alone and therefore the private rental sector is relied upon to provide a proportion of student accommodation, generally in the form of shared houses and flats.

Inclusive rents for rooms within HMO's within the city are typically in the range of £70 to £90 per week rising to £100 per week for en-suite rooms. These rooms are typically within four and five bedroom house shares, typically over three storeys with two bathrooms, and provide a useful indication of the more affordable end of the market.

The cost of renting a three bedroom terrace house on a traditional AST, would be in the range of £575 to £650 per month per house, excluding bills (approximately £200 per month per person). These rents are not inclusive though, with utilities payable on top.

There are currently in the region of 3,500 student beds within private PBSA in Lincoln. The majority of these are operated under nomination agreements or leases to the Universities but some are also offered on a direct let basis. The existing private sector accommodation comprises a mix of cluster flats and studios. Each cluster flat includes between two to five bedrooms and a communal living space and kitchen area. Advertised rents for this type of accommodation are typically inclusive of all bills and are typically let for terms of 44-51 weeks.

The student accommodation schemes in Lincoln are generally situated to the west of the city centre close to the University of Lincoln although a few are situated further north close to Bishop Grosseteste University.

The City of Lincoln Council recognises its duty to ensure the provision of student accommodation for its growing student population. In the City of Lincoln Council's most

recent Housing Strategy there is acknowledgement that large and small scale PBSA blocks catering for lots of students is an effective way to meet the high demand for student accommodation. There are plans for the development of more than 1,000 student beds to be delivered by 2022, with support from the University of Lincoln.

Despite the rise in tuition fees, student numbers have continued to increase in the higher education sector in the UK. This has put greater pressure on university student accommodation. This could lead to an increase in nomination agreements between universities and private student accommodation proprietors, to help universities to guarantee beds for their first year students.

Lincoln is regarded as one of the most affordable places to live in the East Midlands. However, private rental costs in Lincoln are considerably higher than what we would expect and this is down to non-purpose built student accommodation being used by students where private landlords can charge higher rents on a per person basis. This high expectation of student accommodation rents has allowed PBSA schemes to charge higher rents than would normally be found in Lincoln.

One notable transaction was at 179 High Street, Lincoln, which was purchased in June 2018 by Legal & General Real Assets for £25.6m. This acquisition represents a NIY of c. 4.00%.

Outlook

There is an undersupply of student accommodation in Lincoln which will ensure that the PBSA market will continue to perform well. The investment market remains incredibly competitive for long dated indexed leases let to strong covenants. Despite uncertainty in some commercial and residential property markets, the sector continues to attract strong interest from investors from across the globe.

An increasing supply of student accommodation is expected to continue. Ahead of the start of the 2018/2019 academic year the development of approximately 23,000 PBSA beds were completed in the UK, increasing the total stock by 4.3%.

Unlike other letting markets student lettings mainly take place once a year so the market is relatively inflexible in adjusting to supply and demand changes. The student housing sector is protected from the economic led cycles that impact on traditional commercial sectors such as offices and retail, and instead driven primarily by demographic and structural change.

The supply constraints in Lincoln coupled with the limited development pipeline over the last few years means any established assets that come onto the market in central locations, close to the major institutions and with good transport links, are likely to attract considerable investor interest.

5 VALUATION APPROACH

5.1 Valuation Approach

We have adopted the market approach for rental evidence by comparing the Property with similar properties for which price information is available.

In arriving at our opinion of Market Value we have adopted the market approach by capitalising the future rental income streams adopting rents and yields derived by comparing the Property with similar assets for which rental and investment information is available. This is often referred to as the income or investment approach.

5.2 Market Rent Comparable

It appears the Property has historically let well, with the financial information provided by the seller suggesting a consistently high occupancy rate approaching 100%.

However, the accommodation is now in need of a general refurbishment to include the renewal of the communal WC's and shower rooms within the cluster flats, general redecoration with the selective replacement of carpets and floor coverings, and, within the near term, new furniture packs for the individual bedrooms.

The current pricing structure reflects the current condition and specification of the accommodation and the future rental value/rental performance of the scheme should be improve with investment on renewal.

For the moment though, in arriving at our opinion of the Market Rental Value of the cluster bedrooms we have reflected the following characteristics of the Property;

- Cluster accommodation, with inconsistent room sizes/layouts.
- Shared WC and shower rooms, within each cluster flat (ie the individual student bedrooms are not en-suite).
- No general communal or social accommodation outside the individual cluster flats
- No on site management/concierge
- Ageing accommodation in need of general refurbishment.
- Ten minutes' walk from the main University of Lincoln campus at Brayford Pool where much of the new PBSA is located.

The typical rental spread in Lincoln is as follows;

Room Type	£ per week	Tenancy Duration
Cluster Rooms (Non en-suite)	£70 - £96	Typically 48 weeks
Cluster Rooms (En-suite)	£90 - £150	Typically 40-48 weeks
Studios	£99 – £210	Typically 48-51 weeks

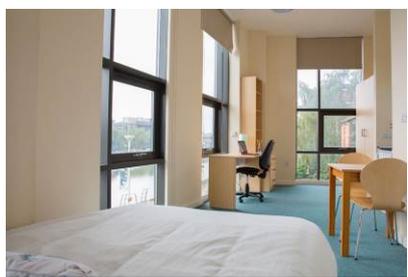
These rents are inclusive of bills.

Specific evidence of rental values and 2019/20 pricing is included below.

We would draw your particular attention to Aqua House, Brayford Court and Park Row which all offer similar non- en suite cluster bedrooms.

Private Accommodation

Aqua House Harvey Street Lincoln LN1 1TE Fully let for upcoming year	 			
<p>Aqua House is situated less than half a mile from the city centre and the Brayford Pool Campus. The building comprises 77 non en-suite bedrooms with shared kitchens, bathrooms, and on-site laundry facilities. Communal kitchens come complete with a fridge, freezer, cooker, and microwave. Bedrooms include a single or double bed, a wardrobe, desk, and a chair.</p> <p>Clusters of between 5 and 8 units with large communal kitchen and living area.</p> <p>WiFi internet is included in your rent and you can also benefit from CCTV, secure system entry, and 24-hour call-out support.</p>				
Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Small Single	Shared Bathroom & Kitchen Single Bed	48 week	£70	£3,360
Large Single	Shared Bathroom & Kitchen Single Bed	48 week	£77	£3,696
Large Double	Shared Bathroom & Kitchen Double Bed	48 week	£83	£3,984
X/Large Double	Shared Bathroom & Kitchen Double Bed	48 week	£85	£4,032

Brayford Quay Newland Lincoln LN1 1YA Fully let for upcoming year	 	
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Brayford Quay contains 425 en-suite rooms and studios located close to the city centre, close to the University's campus. The property includes a gym, common room with TV, pool table and games console. There is onsite bike storage and laundry facilities.

Clusters comprise of 5 and 6 en-suite rooms with communal kitchen and living facilities. Rents are inclusive of utility bills, WIFI and gym membership.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Ground Floor En-suite	En-suite single bedroom in 6 bed cluster	46 week	£107	£4,922
Ground Floor Ensuite Plus	Ensuite 3/4 bedroom in 5 bed cluster	46 week	£108	£4,968
Standard Square En-suite	En-suite single bedroom in 6 bed cluster	46 week	£111	£5,106
Standard En-suite	En-suite 3/4 bedroom in 6 bed cluster	46 week	£115	£5,290
Standard En-suite with view	En-suite 3/4 bedroom in 6 bed cluster	46 week	£117	£5,382
Super deluxe En-suite	Large en-suite double in 5 bed flat	46 week	£123	£5,658
Studio	Self-contained studio with 3/4 bed, en-suite and kitchenette	50 week	£123	£6,150
Medium Studio	Self-contained studio with 3/4 bed, en-suite and kitchenette	50 week	£128	£6,400
Large Studio	Self-contained studio with 3/4 bed, en-suite and kitchenette	50 week	£136	£6,800
Large Studio Plus	Self-contained studio with 3/4 bed, en-suite and kitchenette	50 week	£147	£7,350
Mezzanine Studio	Self-contained studio with mezzanine, 3/4 bed, en-suite and kitchenette	50 week	£148	£7,400
Deluxe Studio	Self-contained studio with mezzanine, 3/4 bed, en-suite and kitchenette	50 week	£162	£8,100

**College Mews
2 Holmes Road
Lincoln
LN1 1RF**

**Fully let for
upcoming year**



College Mews contains 25 en-suite rooms located 5 minute from the University, next to Brayford Pool and the marina. Accommodation contains a collection of en-suite bedrooms with shared kitchen facilities. Each room contains a single bed, wardrobe, desk and bathroom with shower, toilet and wash basin. The property contains an on-site laundry room and secure cycle storage.

Rent is inclusive all utility bills, free Wi-Fi, contents insurance and bike storage.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-suite Single	Single bedroom with en-suite 8 sq. m. – 12.5 sq. m	48 week	£98	£4,704
Large En-suite single	Single bedroom ¾ bed and en-suite. 14 sq. m – 18 sq. m	48 week	£102	£4,896

**Danesgate House
49 Clasketgate
Lincoln
LN2 1LA**
**Fully let for
upcoming year**



Danesgate House is a recently refurbished property located in the Cathedral Quarter of Lincoln city centre and within walking distance of The University of Lincoln and Bishop Grosseteste University College. Lincoln central train station is within close proximity as is the city library and shops.

The property contains 249 en-suite rooms and studios. All rooms are inclusive of wifi and utility bills. There is an onsite management team, CCTV and laundry facilities onsite.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Essential Ensuite	11sq m – 14 sq m double bedroom within large cluster	46 week	£109	£5,014
Classic Ensuite	13 sq m. double bedroom within large cluster	46 week	£117	£5,382
Premium Ensuite	14-16 sq. m double bedroom within large cluster	51 week	£121	£6,171
Classic 5 Bed Ensuite	Double bedroom (11 sqm – 13 sqm) within 5 bed cluster	46 week	£121	£5,566
Classic 4 bed ensuite	Double room (12 sq m – 16 sq m) within 4 bed cluster	46 week	£124	£5,704
Deluxe Ensuite	14 sq m double room with en-suite	46 week	£126	£5,796
Premium 4 bed ensuite	16 sq m double room within 4 bed cluster	46 week	£129	£5,934
Deluxe 4 bed ensuite	22 sq m double room within 4 bed cluster	46 week	£135	£6,210
Classic Studio	16-20 sqm studio room with ensuite and kitchenette	51 week	£148	£7,548
Premium Studio	23 sq. m studio room with ensuite and kitchenette	51 week	£154	£7,854

**Gravity
Beaumont Fee
Lincoln
LN1 1UH**

**Fully let for
upcoming year**



New build development comprising of 134 en-suite studios with a large amenity provision including private cinema, laundry, gym, sauna and steam room, lounge, games room, study rooms, private dining rooms, 24 hour concierge, bike storage, café, computer room.

There are seven apartment styles, all with a double or king size bed, individual kitchen, HD TV, private study area, and en-suite bathroom. The larger studios offer separate living and sleeping areas, as well as an entertainment space equipped with a sofa and dining table.

Rent is inclusive of all amenities, breakfast, utilities and WiFi.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Neo	14 – 17 sq m double room with kitchenette and ensuite	50 week	£165 - £176	£8,250 - £8,800
		45 week	£175 - £187	£7,875 - £8,415
		41 week	£190 - £202	£7,790 - £8,282
Smart	15 -26 sq m double bedroom with ensuite and kitchenette	50 week	£180 - £196	£9,000 - £9,800
		45 week	£191 - £208	£8,595 - £9,360
		41 week	£207 - £225	£8,487 - £9,225
Elegance	24 – 32 sq m double room with kitchenette and ensuite	50 week	£200 - £226	£10,000 - £11,300
		45 week	£240 - £255	£10,800 - £11,475
		41 week	£260 - £276	£10,660 - £11,316
Grande	33 – 38 sq m one bedroom apartment with double bedroom room with separate living and kitchen area	50 week	£300	£15,000
		45 week	£319	£14,355
		41 week	£345	£14,145

**Hayes House
Carholme Road
Lincoln
LN1 1 RJ**

**Availability for
September 2019**



Seven flats comprising 39 ensuite rooms. The property has an on-site laundrette, bike storage and intercom system. Wifi is included in rent.

Some flats have recently been refurbished.

Units are available for 48 week contract totalling £5,280 (£110 per week)

**Hayes Wharf
Holmes Road
Lincoln
LN1 1RF**

**Availability for
September 2019**



224 en-suite rooms with shared kitchens and living spaces. Rent is inclusive of all utility bills, wifi and bike storage

Located across the river from university campus

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Bronze En Suite	15 sq m room with ¾ bed with ensuite	48 weeks	£129	£6,192
Silver En Suite	17 sq m room with ¾ bed with ensuite	48 weeks	£134	£6,432
Bronze En Suite Plus	15 sq m room with ¾ bed with ensuite with views of the city	48 weeks	£132	£6,336
Gold Ensuite	24 sq m room with ¾ bed with ensuite with views of the city	48 weeks	£139 - £142	£6,672 - £6,816

**Park View
LN6 7TS**
**Fully let for
upcoming year**



Park View offers a mix of en-suites, double and single rooms all refurbished to the usual Unity standard. Rent includes on site parking, cycle store and an open garden.

Located 2km south of Lincoln University campus.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Small non en-suite	Standard room	48 week	£75	£3600
Standard non en-suite	Larger than the standard room	48 week	£85	£4,080
En-suite	Standard room with private bathroom	48 week	£99	£4,752

**Pavilions
Ruston Way
Lincoln
LN6 7BQ**
Availability for
September 2019



Pavilion House is a purpose built for student accommodation situated next to the University of Lincoln (5 minute walk), and with the city centre a 10 minute walk away.

The accommodation offers 1,329 units both of En Suite cluster rooms and studios, a common room equipped with a big-screen TV, games tables and a lounge area seating. Other facilities include laundry, car park, secure entry system, CCTV and a 24 hour staffed reception.

We understand that this Property has struggled to let in previous years with a running void of approximately 25%.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Bronze en-suite	15 sq m ensuite double bedroom	48 week	£115 - £130	£5,520 - £6,240
Bronze Studio	18 sq m studio with kitchenette and TV	48 week	£140 - £151	£6,720 - £7,248
Copper En suite	Basic room with ¾ bed and private bathroom	48 week	£110	£5,280
Gold En suite	Large room with private bathroom	48 week	£129	£6,192
Gold Studio	25 sq m room with double bed, en suite and kitchenette.	48 week	£154	£7,392



**Saul House
Lincoln
LN6**



Built in 2013, Saul House provides 67 en-suite rooms within 22 three-bedroom apartments and a one-bedroom apartment.

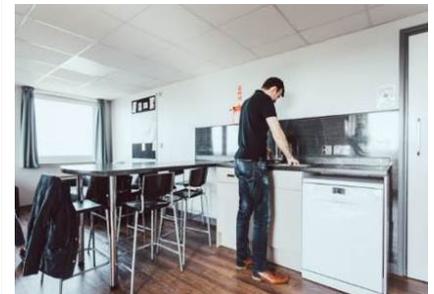
All rooms have modern fully fitted furniture, three-quarter beds (small doubles), and en-suites. All kitchen and lounge areas have a wall-mounted 32-inch flat screen television. The building provides a hardwired and wireless internet connection as part of the all-inclusive rent package. There is a fully equipped on-site launderette and management office, which is staffed during office hours, and a dedicated out-of-hours emergency service.

Saul House is located opposite the University's main campus.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-suite	En-suite room with three quarter bed and private bathroom	48 weeks	£121	£5,808

**The Junxion
Tentercroft Street
Lincoln**

**Availability for
September 2019**



Located in the city centre, just opposite the University Library and the Engine Shed, The Junxion offers 569 en-suite bedrooms in four, five, or six-bedroom apartments with fully fitted kitchens, dining, and lounge areas. Rents include utility bills. Designed around a central courtyard, facilities include a lounge, launderette, and cash machines.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-Suite	Double room with private bathroom	48 week	£117.50	£5,640
Large Ensuite	Larger double room with private bathroom	48 week	£126.50	£6,072

University Accommodation

Lincoln Courts		
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Waterfront complex of 17 buildings comprising self-catered apartments made up of 941 en-suite and 96 non-en-suite rooms situated on campus. Rent includes all utility bills, personal possessions insurance, WiFi and cycle storage.

Each room is furnished with a bed, wardrobe, desk, and drawers.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-Suite	Single bedroom with private bathroom	40 weeks	£132.66	£5,307
Non En-Suite	Single Bedroom	40 weeks	£110.07	£4,403

Cygnets Wharf		
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Modern complex opened in September 2017 comprising three buildings of self-catered pods of 10 or 12 bedroom clusters situated on campus.

The 442 ensuite single bedrooms each include a three-quarter size bed, wardrobe, desk, and drawers. En-suite rooms include a shower, basin, and toilet.

Rent is inclusive of utility bills and WiFi.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-Suite	En-suite room with three quarter bed	40 weeks	£149.66	£5,986

Viking House



First opening in 2018 and located in Lincoln town centre, Viking House offers a complex of three buildings comprising of 272 apartments in pods from eight to twenty three bedrooms.

A second phase is opening in 2019 and includes 17 self-contained studios.

All rooms are single ensuite rooms with a three-quarter bed, wardrobe, desk and draws.

Utilities, possessions insurance, Wifi and bicycle storage are included within the rent.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Standard en-suite	En-suite room with three quarter bed	40 weeks	£150	£5986
Small en-suite	En-suite room with three quarter bed	40 weeks	£136	£5,454
Large en-suite	En-suite room with three quarter bed	40 weeks	£158	£6,300
Studio	En-suite room with three quarter bed	50 weeks	£144	£7,214

The Gateway



The Gateway is located to the south of the University. The Property was completed in 2015 and offers 519 beds with rents beginning at £108 per week for an en-suite room and £128 per week for a studio inclusive of all the utilities, internet and TV license.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
Studio apartment	En-suite room with three quarter bed	50 weeks	£144	£7,214
En-suite	En-suite room with three quarter bed – Shared kitchen	48 weeks	£121	£5,820

179 High Street


Opening in September 2019, 179 High Street is located next to Brayford Pool Campus and comprises of 282 en-suite rooms and 19-self-contained studios. All of the rooms are fully furnished with a three-quarter sized bed, wardrobe, desk and drawers.

Rent is inclusive of utility bills, WiFi and possessions insurance. Free bicycle storage is onsite alongside onsite laundry facilities.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-suite	En-suite room with three quarter bed – Shared kitchen	40 weeks	£149.66	£5,986.40
Studio	En-suite room with three quarter bed	50 weeks	£144.27	£7,213.50

Longsdales Lodge


A small complex of 6 apartments offering 38 en suites rooms situated on Longsdales Road in the uphill area of Lincoln. All rooms have access to a communal living space, dining room and kitchen.

Rent is inclusive of all utility bills. Limited car parking spaces are available at £300 per year.

Room Type	Description	Tenancy Length	Weekly Rent (2019/20)	Annual Rent (2019/20)
En-Suite	En-suite room - Communal living space	39 weeks	£127	£4,953

5.3 Market Rent

The Property is operated on a direct let basis and there is no nomination agreement in place with Lincoln's universities.

We understand that the Property is now fully reserved for the 2019/20 academic year on the basis of the following asking rents.

Accommodation	Rooms	Term (Weeks)	Rent (Weekly)	Rent (Annual)
Flat 1	2	48	£105	£10,080
Flat 2	4	48	£81	£15,552
Flat 3	3	48	£90	£12,960
Flat 4	4	48	£79	£15,168
Flat 5	4	48	£79	£15,168
Flat 6	3	48	£90	£12,960
Flat 7	4	48	£79	£15,168
Flat 8	4	48	£79	£15,168
Flat 9	5	48	£85	£20,400
Flat 10	5	48	£85	£20,400
Flat 11	4	48	£90	£17,280
Flat 12	5	48	£79	£18,960
Flat 13	5	48	£85	£20,400
Flat 14	3	48	2@£75; 1@£85	£11,280
Flat 15	6	48	£79	£22,752
Flat 16	4	48	£81	£15,552
Flat 17	3	48	£90	£12,960
Flat 18	4	48	£81	£15,552
Flat 19	4	48	£81	£15,552
Flat 20	3	48	£90	£12,960
Flat 21	4	48	£81	£15,552
Flat 22	4	48	£81	£15,552
Flat 23	3	48	£90	£12,960
Flat 24	4	48	£81	£15,552
Total				£375,888

Having reviewed the availability and price of competing student schemes within Lincoln and around the town centre, we believe that the asking rents for the 2019/20 academic year are appropriate and these have been accepted in arriving at our opinion of the Gross Market Rental Value of the Property (in aggregate).

Our valuation is therefore based on a Gross Market Rental Value in aggregate of £375,888 per annum assuming 100% occupancy on 48 week licence agreements.

5.4 Operating Costs and Facilities Management (FM)

The market for the Property is likely include both investor operators with their own internal management platforms such as the seller, and institutional investors employing third party managers to operate the scheme.

As such the treatment of management costs within a purchase consideration may vary. Typically, the cost of third party management contracts will be in excess of internal management platforms with fewer efficiencies of scale available to externally managed properties.

FM costs clearly vary significantly depending on the service level and the blend of rooms (clusters viz a viz studios).

The normal FM cost range for modern student accommodation blocks is between 20% and 35% of gross rental income, and whilst FM costs will vary year on year due to the life cycle that the building is in and at which point elements need replacing, a well-managed sinking fund can moderate wild variations.

You have provided an FM forecast of £126,988 for the 2019/20 academic year, which is above the previous year's FM summaries provided by the seller, but this reflects your reliance on an external management platform, as opposed to the self-managed platform adopted by the seller, with "hidden" central costs.

Given the unproven profile moving forward our own opinion is that a fair allowance for FM costs moving forward is 35% of the gross income, which reflects an average of £1,400 per bedroom per annum.

In total this would represent an annual cost of £131,561, which we would deduct from the gross Market Rental Value in arriving at our opinion of net income moving forward.

5.5 Investment/capital value comparables

In the context of relevant evidence within the alternative student investment market and regionally, we have considered the following comparable transactions.

Princess House, 122-126 Queen Street, Sheffield, S1 2DW				
	Date	February 2019	Tenancy	Direct Let
	Price	£1,700,000	NIY	c 6.70%
	Bed Spaces	43	Price Per Bed Space	£39,534
Comments				
Currently arranged as seven cluster flats providing 43 student bed spaces. There is planning permission for conversion to 26 apartments. Café on ground floor.				
Current residential gross rent is £162,775 per academic year. Current commercial gross rent is £11,250 per annum. Gross yield of 9.6%.				
Assuming a typical FM budget at c 25% of gross income, the net academic rental income would be in the order of £122,081 pa.				

Including the ground floor commercial rent the asking price appears to reflect a net initial yield of c 6.7%.

4 Green Close Lane, Loughborough



Date	December 2018	Tenancy	Third Party letting
Price	£7m	NIY	5.43%
Bed Spaces	61	Price Per Bed Space	£114,754

Comments

In December 2018, Optima Loughborough Ltd purchased the freehold interest in this student investment for £7,000,000. The comparable comprises a 61 studio bed property, forward let on a headlease with a remaining term of 12 years to Swiftmatch Ltd at an annual rent of £405,216, producing a net initial yield of 5.43%. Annual rent review mechanism, RPI index with a cap and collar of 2% and 5%.

High specification scheme, comprising all studio rooms comprising ensuite and kitchenette. All rents fully inclusive of bills, with facilities including laundry and onsite team.

Castle Gate Haus, Nottingham



Date	September 2018	Tenancy	Direct Let
Price	£10.2m	NIY	5.85%
Bed Spaces	133	Price Per Bed Space	£75,187

Comments

In September 2018 the Singaporean company Centurion Corporation Ltd acquired Castle Gate Haus in Nottingham from Sleepmaid. The property is Centurion Corporation Ltd's 10th student accommodation asset in the UK, giving it a total of 2,676 beds across 5 cities. Centurion Corporation Ltd plans to manage the 69 studios and 64 en-suite rooms under its own Student Living entity, 'dwell'.

The property is located in Nottingham city centre and is a 9-minute walk from the Nottingham Trent campus and a short drive away from the University of Nottingham.

The Gate, Sheffield


Date	August 2018	Tenancy	Direct Let
Price	£33m	NIY	6.25%
Bed Spaces	455	Price Per Bed Space	£72,527

Comments

McAlee & Rushe acquired The Gate, Sheffield from Curlew Capital in August 2018. The opportunity comprises the full forward funding of a student accommodation scheme due to complete September 2020. The site is located within Sheffield city centre and is adjacent to Sheffield Hallam University. The site is next to the 259 bedroom Jurys Inn, which has already been built.

Roman House, Friar Gate, Derby


Date	June 2018	Tenancy	Direct Let
Price	£8,625,000	NIY	6.20%
Bed Spaces	126	Price Per Bed Space	£68,452

Comments

In June 2018, Northridge Capital Ltd purchased the freehold interest in this student investment for £8,625,000. The comparable comprises a 126 student bed property, fully let producing an annual income of £571,900 per annum, reflecting a net initial yield of 6.2%.

High specification scheme, all rents fully inclusive of bills, with facilities including onsite cinema, gym and private study rooms.

179 High Street, Lincoln


Date	June 2018	Tenancy	Nominations for 21 years
Price	£25.6m	NIY	c. 4.00%
Bed Spaces	301	Price Per Bed Space	£85,050

Comments

In June 2018 Legal & General Real Assets, advised by Tudor Toone, acquired 179 High Street, Lincoln to forward fund a 301 bedroom scheme. The site is adjacent to the University of Lincoln campus, in the city centre and has been pre-let to the University of Lincoln for 21 years. The rooms will be spread over two blocks and will be available in Autumn 2019. EBW Developments (the vendor) is the developer on the

scheme, which is a joint venture between Bloc Ltd and Marcus Worthington.

Cross Trend House, Lincoln



Date	March 2018	Tenancy	Nomination Agreement
Price	£4.335 m	NIY	6.91%
Bed Spaces	72	Price Per Bed Space	£60,208

Comments

In March 2018 the above 72 bedroom student accommodation comparable sold for £4,335,000 reflecting a NIY of 6.91%. The comparable is fully let to Bishop Grosseteste University College, Lincoln for a further 4.5 years.

The comparable comprises a converted office building which now offers 76 student accommodation beds and is of concrete frame construction with brick elevations beneath a flat roof having being converted in 2012.

The comparable offers communal kitchens, common rooms and a laundry room with 25 car parking spaces to the rear and bicycle storage area. The comparable offers 4 non en-suite beds, 10 single studios, 22 double studios and 40 larger double studios. Despite being let on a nomination agreement the landlord is still responsible for repairs, decoration and certain services for the tenant which is expected to reduce the rent from a gross rental value of £400,800 per annum to £320,000 per annum.

Hydrogen, 1 Goldsmith Street, Nottingham



Date	March 2018	Tenancy	Direct Let
Price	£17.8m	NIY	5.60%
Bed Spaces	162	Price Per Bed Space	£109,877

Comments

In March 2018 Brookfield acquired Hydrogen, 1 Goldsmith Street in Nottingham from Hydrogen Investments for £17.8m. This acquisition reflects a yield of 5.60%. The building features 162 studio apartments that are managed by Student Roost. The site is located in Nottingham's city centre and is a short walk away from the Nottingham Trent University campus.

1 Burns Street, Leicester


Date	January 2018	Tenancy	Direct Let
Price	£4.54m	NIY	5.70%
Bed Spaces	70	Price Per Bed Space	£64,800

Comments

In January 2018 a private entity acquired 1 Burns Street in Leicester from Property Partner for £4.54m at a net initial yield of 5.7%. The property is made up of 70 beds spread across 55 self-contained flats and is 1 mile and 1.7miles away from the University of Leicester and De Montfort University respectively

Hockley Point, Boston Street, Nottingham


Date	July 2017	Tenancy	Direct Let
Price	£3,970,000	NIY	6.82%
Bed Spaces	80	Price Per Bed Space	£49,625

Comments

In July 2017, Loki Consulting Co Ltd purchased the freehold interest in this student investment for £3,970,000. The comparable comprises a 80 student bed property, fully let producing an annual income of £571,900 per annum, reflecting a net initial yield of 6.2%.

Lower specification scheme, clusters of 7 bedrooms with shared bathroom and kitchen facilities. Common room for the whole building all rents fully inclusive of bills, with facilities including onsite gym.

The Hosiery Factory, 31 Lower Brown Street, Leicester


Date	October 2016	Tenancy	Direct Let
Price	£5,610,000	NIY	6.30%
Bed Spaces	107	Price Per Bed Space	£52,430

Comments

The Hosiery Factory, Leicester, which was converted in 2015, is a direct-let student accommodation property with 107 beds across a mix of three to nine bedroom apartments, each of which has its own kitchen and living area.

It is located opposite the Shoe & Boot Factory (detailed above) in the city centre, a three minute walk to De Montford University and a 15 minute walk to the University of Leicester.

The evidence outlined above displays a range of net initial yields between 4.00% and 6.93% and, as a secondary cross check, capital values per bed between £39,534 and £114,764. The transaction at 179 High Street, Lincoln is reflective of the prime yields achieved in regional cities for PBSA with long income to established universities.

On account of location and specification we would expect the Property to transact at a discount to these yields

5.6 Current sale agreement

We understand that you have placed the Property under offer at £3,000,000.

We note from Land Registry records that the Property was previously acquired by the seller in October 2012 for £1,750,000.

5.7 Valuation calculations

The Property will be operated as a direct let under a management contract.

In establishing our opinion of Market Value, it has been necessary to arrive at our opinion of the stabilised net operating income, off which the valuation is predicated.

Three to five years of accounts detailing both income and operational expenditure, to arrive at an opinion of stabilised net operating income have not been available.

However, we have been provided with four years of income and operational expenditure and forecasts for the current academic year 2019/20.

On the basis of this information and our own research and experience in the student sector, we have arrived at the following opinion of stabilised net operating income.

Gross Rental Income	Occupancy Assumption	FM provision	FM Provision	Net Operating Income
£375,888	100%	35%	£131,561	£244,327

Prime regional direct let yields are currently trending at c 5.50%; secondary regional direct let yields at c 6.50% to 8.00%, with sentiment still positive. Prime London direct yields are stable at c 4.25% to 4.50%.

As set out above, Lincoln is placed highly in the league tables, with the PBSA now emerging strongly to meet growing demand and increasing student numbers in the town.

The key attribute of Cathedral Street is its current affordability in comparison with the newer PBSA developments closer the main University campus at Brayford Pool; the key constraints are location, lack of en-suite facilities and the need for near term capital expenditure on repair and renewals.

Reflective of the current pro's and con's, and specifically the apparent resilience of the net operating income, we have, with reference to secondary regional yields, applied an equivalent yield of 8 % to our forecast of the net operating income.

On this basis we are of the opinion that the Market Value of the property is in the order of £3,000,000, which reflects a capital value rate of £31,915 per bed space.

This is on the Special Assumption that Multiple Dwellings Relief (MDR) can be claimed on the student accommodation. MDR is a partial relief from SDLT upon the acquisition of more than one dwelling. The SDLT is determined by dividing the aggregate consideration attributed to the interest by the number of dwellings and applying SDLT based on the average. A dwelling for student accommodation purposes typically comprises a self-contained 'cluster' of bedrooms, which in this case would be 24 cluster flats..

A copy of our valuation calculation is included at Appendix 4.

6 VALUATION

6.1 Market Value

The Property is being acquired by Hubb Property Group in the open market for £3,000,000.

In view of the foregoing, this purchase price is a fair reflection of the Market Value of the Property.

We are therefore of the opinion that the Market Value of the long leasehold interest in the Property as at the valuation date, subject to all existing licences, is in the region of:

£3,000,000

(THREE MILLION POUNDS)

By analysis this reflects £31,915 per cluster room, or £125,000 per cluster flat.

Market Value definition

Market Value is an internationally recognised basis and is defined as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The Market Value is our estimate of the price that would be agreed, with no adjustment made for the costs that would be incurred by the parties in any transaction, including any liability for VAT, stamp duty or other taxes. It is also gross of any mortgage or similar financial encumbrance.

7 GENERAL CONDITIONS

This report and valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation.

This report is provided for the stated purpose and only for the use of the party to whom it is addressed. It is confidential to Hubb Property Group may not be disclosed to any other third party without our prior written consent. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our prior approval of the form and context in which it will appear.

Yours faithfully



Mark Thompson BA (Hons) MRICS
RICS Registered Valuer

This report has been reviewed by



Robert Waterhouse BSc (Hons) MRICS RICS
Registered Valuer

For and on behalf of BNP Paribas Real Estate



**BNP PARIBAS
REAL ESTATE**

Appendices

Appendix 1

Terms of Engagement



BNP PARIBAS REAL ESTATE

PRIVATE AND CONFIDENTIAL

Dominic Munson
Acquisition Manager
Hubb Property Group
28 Queen Street
Bristol
BS1 4ND

By e-mail only :
d.munson@hubb.co.uk

Mark Thompson
Senior Director
BNP Paribas Real Estate
8th Floor, Fountain Precinct,
Balm Green,
Sheffield S1 2JA

Tel: + 44 (0) 114 263 9209
Switchboard: + 44 (0) 114 263 9200
Mobile: + 44 (0) 7785 380721
Email: mark.a.thompson@bnpparibas.com

Your ref:
Our ref: MAT/lb

22 August 2019

Dear Dominic

HUBB PROPERTY GROUP CATHEDRAL STREET, LINCOLN LN2 5HH (THE "PROPERTY")

I refer to our exchange of e-mails yesterday, and confirm that we are delighted to accept your instruction to undertake a valuation of the Property, which will be addressed to Hubb Property Group and is required in connection with the acquisition of the freehold interest in the Property as an income producing investment.

I can confirm that we have had no material involvement with either the Property or any other party connected with this Property and that I am aware of nothing that could create a conflict with our duty to provide you with an objective and independent valuation.

I confirm that the valuation will be undertaken in accordance with the current RICS Valuation – Global Standards 2017, (the "Red Book"). Attached to this letter is a document entitled "Valuation Procedure and Assumptions" which describes the work that we will undertake, the sources of information upon which we shall rely and the limitations that will apply to our investigations and report. A copy of our Terms and Conditions of Business is also attached.

As an agreed departure from these standard Procedures and Assumptions, whilst we will inspect all common/service areas of the Property, we shall only inspect the cluster flats that can be accessed on the date of our viewing, which has been provisionally arranged for Friday 30 August.

As it is likely we will not gain access to all the flats, in arriving at our valuation we shall rely upon floor areas to be provided to us, although we will obtain floor plans and take a sample of check measurements where access is available.

We will provide you with our opinion of the Market Value of the Property at the date of our report.

Market Value is an internationally recognised basis of value and is defined as;

BNP Paribas Real Estate Advisory & Property Management UK Limited

Registered office: 5 Aldermanbury Square, London EC2V 7BP

Registered in England No. 4176965

ISO 9001
ISO 14001
BUREAU VERITAS
Certification



N° UK4578228/U / UK4578228/E

008

Regulated by RICS





BNP PARIBAS REAL ESTATE

“The estimated amount for which an asset or liability 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.”

I can confirm that we hold professional indemnity insurance in respect of the service to be provided. I will undertake the valuation personally and I confirm that I have the knowledge, skills and understanding necessary to undertake the valuation required.

As agreed our fee for undertaking this work will be [REDACTED] This figure will be subject to the addition of VAT.

Our report will be addressed to Hubb Property Group and is for its use only.

No responsibility will be accepted to any other party. Our prior consent in writing will be required if you wish to reproduce the report or refer to it in any published document. Our valuation file may be subject to confidential monitoring in order to ensure compliance with the RICS conduct and disciplinary regulations.

I do not believe that any of these conditions conflict with your requirements but if you believe they do, please do not hesitate to contact me. Otherwise, I would be grateful if you could sign and return the attached duplicate of this letter as confirmation that you wish us to proceed on this basis.

If I do not hear from you to the contrary prior to the issue of our report I shall assume that these conditions are agreed.

Yours faithfully

**Mark Thompson BA (Hons) MRICS
Senior Director, RICS Registered Valuer**

For and on behalf of BNP Paribas Real Estate

Enclosures:
Valuation Procedures and Assumption
Terms and Conditions of Business

Please sign and return a copy of this letter:

I confirm that I / we* agree that this letter and the enclosed documents it refers to is an accurate summary of the service that I require, and of the terms that I / we* accept for its provision.

Signed:

Position:

Date: * delete as appropriate



The investigations and enquiries on which our valuations are based are carried out by valuation surveyors, making appropriate investigations having regard to the purpose of the valuation. Our reports and valuations are prepared in accordance with the RICS Valuation – Professional Standards (the “Red Book”).

Subject to any variation expressly agreed and recorded in the accompanying letter, our work will be on the basis set out below:

1 Condition and Repair

Unless specifically instructed to carry out a separate building survey, or commission a test of service installations, our valuation will assume:

- (i) That except for any defects specifically noted in our report, the property is in good condition.
- (ii) That no construction materials have been used that are deleterious, or likely to give rise to structural defects.
- (iii) That no hazardous materials are present, including Asbestos.
- (iv) That all relevant statutory requirements relating to use or construction have been complied with.
- (v) That any services, together with any associated computer hardware and software, are fully operational and free from impending breakdown or malfunction

We shall, however, reflect the general condition noted during the course of our valuation inspection and any defects or hazards of which we become aware in the course of our investigations. Any matters that we consider material to the valuation will be referred to in our report.

2 Ground Conditions and Environmental Risks

Unless provided with information to the contrary, our valuation will assume:

- (i) That the site is physically capable of development or redevelopment, when appropriate, and that no special or unusual costs will be incurred in providing foundations and infrastructure.
- (ii) That there are no archaeological remains on or under the land which could adversely impact on value.
- (iii) That the property is not adversely affected by any form of pollution or contamination.
- (iv) That there is no abnormal risk of flooding.
- (v) That there are no high voltage overhead cables or large electrical supply equipment at or close to the property.
- (vi) That the Property is not located within a radon affected area.
- (vii) That no Japanese Knotweed is present at the Property or within close proximity to the Property.

We shall, however, comment on any factors discovered during the course of our valuation enquiries that could affect the market perception of risks caused by these factors.

3 Tenure and tenancies

We shall rely upon information provided by you or your solicitor relating to tenure and related matters. We will not commission a formal legal search and will assume the information provided to be accurate, up-to-date and complete.

4 Planning and highway enquiries

We shall make informal enquiries of the local planning and highway authorities and also rely on information that is publicly published or available free of charge. Any information obtained will be assumed to be correct. No local searches will be instigated.

Except where stated to the contrary, we shall assume that the use to which the property is put is lawful and that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the property.

VALUATION PROCEDURES AND ASSUMPTIONS

5 Floor areas

All measurements will be taken in accordance with the RICS Property Measurement Professional Standard. The floor areas in our report will be derived from measurements taken on site or that have been scaled from the drawings supplied and checked by sample measurements on site. The floor areas will be within a tolerance that is appropriate having regard to the circumstances and purpose of the valuation instruction. We have adopted a conversion factor of 10.7639 for converting from square metres to square feet rounding up or down to the nearest square foot.

6 Plant and machinery

We will include in our valuations those items of plant and machinery normally considered to be part of the service installations to a building and which would normally pass with the property on a sale or letting. We will exclude all items of process plant and machinery and equipment, together with their special foundations and supports, fixtures and chattels, vehicles, stock and loose tools, and tenants fixtures and fittings.

7 Mains services

We shall assume that all mains services are connected to the Property. We shall not obtain written confirmation from the service providers and will be unable to report on condition or offer any warranty.

8 Miscellaneous regulatory requirements

We shall assume that the Property is compliant with all regulatory requirements relating to its occupation including the Equality Act 2010 and the Regulatory Reform (Fire Safety) Order 2005.

9 Tenant status

Although we reflect our general understanding of a tenant's status in our valuation, we will make no detailed enquiries about the financial status of tenants. We will assume that appropriate enquiries were made when leases were originally exchanged, or when consent was granted to any assignment or underletting.

10 Development properties

For properties in course of development, we will reflect the stage reached in construction and the costs remaining to be spent at the date of valuation. We have regard to the contractual liabilities of the parties involved in the development and any cost estimates that have been prepared by the professional advisers to the project. For recently completed developments we will take no account of any retentions, nor will we make allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.

11 VAT, taxation and costs

We will not make any adjustments to reflect any liability for taxation that may arise on disposal, or for any costs associated with disposal incurred by the owner. No allowance will be made to collect any liability or repay any government or other grants, taxation allowance or lottery funding that may arise on disposal

If calculating the market value as an investment, we will make deductions to reflect purchasers normal acquisition costs.

Unless advised to the contrary we shall assume that the option to tax has not been exercised and that accordingly VAT will not be payable on the capital and rental values reported.

DEFINITIONS

In these Conditions:

“**BNPPRE Person**” means any of Our or any Group Company’s employees, officers, directors, subcontractors or consultants whether permanent, fixed term or part-time;

“**Conditions**” means these terms and conditions of business;

“**Confidential Information**” means any technical, financial and commercial information obtained or received by You directly or indirectly from Us (and vice versa) in the course of or in anticipation of the Services;

“**EEA**” means European Economic Area, which consists of the EU member states plus Iceland, Liechtenstein and Norway;

“**Engagement Letter**” means the engagement letter from Us to You setting out the basis on which We shall carry out the particular Services for You;

“**EU Data Protection Law**” means the GDPR as well as all related EEA member states’ laws and regulations;

“**Fees**” means the fees payable by You to Us for the Services, as set out in the Terms of Engagement and/or as otherwise agreed by Us in writing;

“**GDPR**” means the Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);

“**Group Company**” means in relation to Us, any of our subsidiaries, affiliates or holding companies from time to time and any subsidiary from time to time of a holding company of Ours;

“**Information**” means any deeds, documents, advice, information, reports, plans, drawings, instructions and/or assistance that We may require from You or which We may require you to procure on Our behalf;

“**Intellectual Property Rights**” means patents, registered and unregistered trademarks and service marks, registered and unregistered design rights, copyright, database rights, rights in know-how and confidential information, applications for and rights to apply for any of the above, and any other similar rights recognised from time to time in any country, together with all rights of action in relation to the infringement of any of the above;

“**Major Sanctioned Countries**” means any countries that are subject to comprehensive embargoes or high-risk countries from time to time and for which We have decided to maintain the same restrictive control measures. The current MSCs are Cuba, Iran, Sudan, Syria, North Korea, Crimea/Sevastopol. “**MSC**” and “**MSCs**” shall be construed accordingly;

“**Materials**” includes, in addition to any document in writing, any drawing, map, plan, diagram, design, brochure, picture, photograph or other image, tape, disk or other device, file or record embodying information or data in any form;

“**Property**” means the property/ies, which is/are the subject of Your instructions to Us;

“**Services**” means the services and/or work performed or to be performed by Us as set out in the Engagement Letter and/or Service Specific Terms of Engagement, together with any other services and/or work which We provide or agree to provide to You from time to time;

“**Service Specific Terms of Engagement**” means the specific terms of engagement, if any, referred to in the Engagement Letter;

“**Terms of Engagement**” means these Conditions, the Engagement Letter and the Service Specific Terms of Engagement, in each case as may be varied in writing and agreed by Us and You from time to time;

“**Transaction**” means any transaction entered or intended to be entered into by You in relation to which the Services are to be performed (including but not limited to a transaction effecting a sale or letting of the Property);

“**We, Us and Our**” means BNP Paribas Real Estate Advisory & Property Management UK Limited, a private limited company

registered in England and Wales with company number 04176965 and whose registered office is at 5 Aldermanbury Square, London EC2V 7BP; and

“**You, Your and Yourself**” means the person or persons, firm, company, authority or other organisation to whom We are to supply the Services, as set out in the Engagement Letter.

1 Terms of Engagement

1.1 The Services will be provided pursuant to the Terms of Engagement.

1.2 The Terms of Engagement comprise the whole agreement between Us and You in relation to the provision of Services and supersede all prior agreements in connection with the subject matter hereof except where expressly agreed in the Engagement Letter. Both parties acknowledge and agree that, in entering into the Terms of Engagement, they do not rely on, or have not relied on, any undertaking, promise, assurance, statement, representation, warranty or understanding (whether made orally or in writing) of any person (including Us and You) relating to the subject matter of the Terms of Engagement, other than as expressly set out in the Terms of Engagement.

1.3 If any provision (or part of a provision) of the Terms of Engagement is found by any court of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions (or remainder of the affected provision) will remain in force.

1.4 Subject to the rights of any BNPPRE Person granted under clause 14.7, the Terms of Engagement are made solely for the benefit of Us and You, and (where applicable) Our or Your successors and permitted assigns, and are not intended to benefit, or be enforceable by, anyone else. Except as stated in clause 14.7, and for the purpose of the Contracts (Rights of Third Parties) Act 1999, the Terms of Engagement do not and are not intended to give any rights, or right to enforce any of their provisions, to any person who is not a party to them.

1.5 The Engagement Letter constitutes an offer by Us to You to provide the Services specified in it on the Terms of Engagement. By counter-signing the Engagement Letter (or, in the alternative, accepting the Services referred to therein) You formally accept the Terms of Engagement. Notwithstanding the previous sentence, You agree that all and any Services provided prior to Your counter-signature of the Engagement Letter shall be governed by the Terms of Engagement.

1.6 By entering into the Agreement, You warrant that You have the authority to instruct us to perform the Services.

1.7 In the event of any conflict arising between the documents comprising the Terms of Engagement, the following order of precedence shall apply:

- (a) Engagement Letter;
- (b) Service Specific Terms of Engagement;
- (c) these Conditions.

1.8 The Terms of Engagement and any dispute arising out of or in connection with them or their subject matter, shall be governed by and construed in accordance with the laws of England. The parties both irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with the Terms of Engagement or their subject matter.

2 Changes in Scope

2.1 The scope of the Services will be limited to the matters set out in the Terms of Engagement. However, this does not preclude Us from considering and agreeing with You, in writing, changes to the scope of the Services from time to time.

3 Timetable

3.1 We will discuss with You the nature and timing of the delivery of Services and the most effective way of

- implementing them. The timetable for completion of the Services assumes that the Information will be made available in good order and in a timely manner and will be provided in accordance with the provisions of clause 5.
- 3.2 Dates for performance and/or completion of the Services are estimates only and shall not be construed as being of the essence to the Terms of Engagement. We will, however, use reasonable endeavours to perform the Services on or by the dates specified and agreed in writing.
- 4 Services**
- We undertake to perform the Services using reasonable care and skill and in accordance with the professional standards to which We are subject.
- 5 Information**
- 5.1 You shall provide (or procure the provision) to Us, free of charge and within any specified time limits, all Information as may be necessary or reasonably requested by Us at such time as shall enable Us to:
- perform the Services in accordance with Our obligations under the Terms of Engagement; and/or
 - comply with Our internal anti money laundering policies and procedures and any relevant legislation or regulations as may be in force from time to time (including but not limited to Information about You or any third party on whose behalf you act in respect of receipt of the Services).
- 5.2 You warrant that all and any Information is accurate, complete and consistent. Accordingly, You agree that We are not liable for (and shall indemnify Us against) the direct or indirect consequences of any inaccuracies, inadequacies or inconsistencies contained in the Information, whether prepared by You or by a third party, or any shortfalls in or absence of such Information and whether or not supplied directly to Us by You or by such a third party.
- 5.3 You will notify Us immediately if anything occurs to render any Information untrue, inaccurate or misleading and/or if any claim is made by a third party in respect of any Information.
- 6 Intellectual Property Rights and Use of Our Materials**
- 6.1 All Intellectual Property Rights in any Materials prepared by Us or otherwise generated in the course of carrying out the Services shall be owned exclusively by Us. Without limiting clause 6.3, no part of any such Materials may be reproduced or transmitted or disclosed in any form or by any means without Our prior written permission.
- 6.2 All information, advice and Materials provided by Us to You are provided for Your use only and solely for the purpose(s) to which they refer. Accordingly, We accept no responsibility for (and you shall indemnify Us in respect of) any reliance that any third party may place on such information, advice or Materials, and/or for any reliance that You may place on such information, advice or Materials for any other purpose.
- 6.3 Neither the whole nor any part of the Materials referred to under clause 6.1, nor any reference thereto, may be included in any published document, circular or statement or published in any way without Our prior written approval.
- 7 Recommendations**
- 7.1 The Services and any findings arising out of the Services will not in any way constitute recommendations on matters outside the scope of the Terms of Engagement.
- 7.2 You are responsible for determining whether the scope of the Services as specified in the Terms of Engagement are sufficient for Your purposes in the context of Your wider investigations and due diligence.
- 8 Fees and Disbursements**
- 8.1 The Fees will be as set out in the Terms of Engagement or as otherwise agreed by Us in writing.
- 8.2 You shall pay the Fees, and all other costs or charges agreed in the Terms of Engagement and/or as otherwise agreed by us in writing. If the Fees are not stated in the Terms of Engagement, Our Fees will be based on Our standard hourly rates in force from time to time multiplied by the number of hours spent by each person on the work in question (the “**Time Charge Fee**”).
- 8.3 Unless agreed otherwise, Our Fees are exclusive of any reasonable disbursements and expenses that any of the personnel engaged in providing the Services may incur in connection with the provision of the Services and any applicable VAT, for all of which You will additionally be liable.
- 9 Payment Terms**
- 9.1 Where We quote a fixed fee for Our Services, this quotation will only be valid for a period of 30 days from issue or as otherwise agreed. No contract will arise from any such quotation until We give written confirmation to You. You accept that We reserve the right to increase such fixed fee by such amount as is reasonable, as a result of any matters beyond Our control, a change in instructions from You or a failure by You to provide Us with satisfactory Information pursuant to clause 5 and We will give You prior written notice of any such increase.
- 9.2 We reserve the right to render regular and/or interim invoices where appropriate. Specifically where We are working on an hourly rate basis We may bill monthly except where We agree otherwise in writing. We also reserve the right to invoice You immediately for the cost of any reasonable disbursements or expenses that We may incur in relation to the Services.
- 9.3 Save where otherwise agreed in writing, Our terms of payment are net cash 28 days from the date of invoice. Time for payment will be of the essence.
- 9.4 If any invoice is overdue for payment, We will be entitled to refrain from continuing to perform any Services for You until such invoice is paid in full (including interest). We will also be entitled to retain any Materials produced by Us in the course of the Services and/or any Information belonging to You until all outstanding sums have been paid. We retain the right to charge interest on such outstanding sums at the annual rate of 4% accruing on a daily basis from the due date until the date of actual payment of the overdue amount, compounded quarterly, whether before or after judgement. You must pay Us interest together with the overdue amount. Our rights under this clause 9.4 are without prejudice to any rights that may accrue pursuant to clause 9.3.
- 9.5 In certain circumstances (which We will discuss with You), We may require You to make payment on account of any anticipated fees and/or disbursements and/or expenses to be incurred prior to the Services being commenced or continued.
- 9.6 We may at any time, without notice to You, set off any obligation due from You to Us against any obligation owed by Us to You, whether either liability is present or future and whether or not either liability arises under the Terms of Engagement. Any exercise by Us of Our rights under this clause shall not limit or affect any other rights or remedies available to Us under the Terms of Engagement or otherwise.
- 9.7 We may submit Our invoice(s) electronically or in hard copy. All invoices will be deemed to have been received the working day immediately following the day they are sent.
- 10 Confidentiality**
- Both parties will (and will procure that their directors, officers, agents, contractors, consultants and employees will) at all times keep in strict confidence, and not use, any of the other party's Confidential Information, except:



- (a) in connection with the performance of the Services or as reasonably necessary for the purposes of the Transaction; or
- (b) as expressly stated in the Engagement Letter; or
- (c) as subsequently agreed to in writing by both parties; or
- (d) as otherwise required or permitted to be disclosed by law; or
- (e) where such Confidential Information is public knowledge (save where it becomes public knowledge through a breach of this clause 10).

You agree that, without reference to You, We may disclose to our professional liability insurers and their agents and advisers, on terms of confidence, such Confidential Information as we are required to disclose in order to comply with the terms of our insurance programmes.

11 Complaints

11.1 If You are for any reason dissatisfied with the Services We should be advised immediately so that We can investigate it further. You agree that You will not take any action or commence any proceedings against Us before You have first referred Your complaint to Us in accordance with Our complaints procedure, details of which are available from: The Chief Operating Officer, BNP Paribas Real Estate Advisory & Property Management UK Limited, 5 Aldermanbury Square, London, EC2V 7BP. The purpose of such referral is to enable Us to provide You with details of Our complaints handling procedure and for Your complaint to be reviewed and responded to by Us, with a view to resolving the dispute or difference in a manner satisfactory to both parties.

11.2 If following Our response in accordance with clause 11.1 You remain dissatisfied, You may refer Your complaint or dispute to;

For consumer clients: Property Redress Scheme
Premiere House, 1st Floor
Elstree Way
WD6 1JH
www.theprs.co.uk

For commercial clients: RICS Dispute Resolution Service
Surveyor Court
Westwood Way
Coventry
CV4 8JE
www.rics.org/drs

12 Client Money and Anti-Money Laundering Procedures

12.1 All client money retained by us shall be held in separate client accounts in accordance with and subject to the requirements of the Members' Accounts Rules of the Royal Institution of Chartered Surveyors ("RICS"). To ensure compliance with the anti-money laundering legislation we reserve the right to decline cash receipts. We also reserve the right to refuse to pay to any third party money due to you.

12.2 You agree to comply with all anti-money laundering procedures We have in place from time to time, and understand and accept that We are unable to provide the Services unless such procedures have been successfully completed in advance.

12.3 The parties hereby represent and warrant that:

- (a) they each shall comply with all applicable anti-corruption laws;
- (b) they each shall not directly or indirectly pay, offer, give, promise to pay or authorise the payment of, any portion of the compensation received in connection with these Terms of Engagement or

any other monies or other things of value in connection with its performance to a government official to obtain or retain business or secure any improper advantage nor shall it permit such actions by a third party;

- (c) Neither party nor any subsidiary or affiliate of either Party is or will become an official or employee of the government during the term of these Terms of Engagement without prior written approval of the other.

12.4 Any breach by You of the representations and warranties in this clause shall constitute a material breach for the purposes of clause 13.2(b)(ii) of these Terms of Engagement.

12.5 In the event one party has reason to believe that a material breach has occurred or may occur, that party shall have the right to audit or to have a third party acceptable to each party at the joint expense of the Parties conduct the audit, in order to satisfy that no such breach has occurred. The Parties shall cooperate in any audit conducted by or on behalf of the other.

13 Termination

13.1 The Terms of Engagement shall terminate automatically on completion of the Services.

13.2 Without prejudice to any other rights or remedies which the parties may have:

- (a) either party has the right to terminate the Terms of Engagement on not less than 28 days' written notice to the other (except where our Instructions include ongoing management work, in which case either party may only terminate the Agreement by giving not less than six months' notice in writing to the other); and

- (b) We may terminate the Terms of Engagement immediately on giving written notice to You if:

- (i) a conflict of interest arises;
- (ii) You commit a material breach of any of the provisions of the Terms of Engagement (including, but not limited to, any breach of the payment terms specified at clause 9 or any breach of clause 22);
- (iii) a person or persons, firm, company, authority or other organisation acquires control of You who did not have control immediately before the acquisition;
- (iv) a counterparty to any Transaction in respect of which we are providing the Services fails within a reasonable period (as determined by Us) to provide or make available to us any information or documentation we may require to satisfy our obligations pursuant to The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; or
- (v) We have reason to believe that the source of funds to be utilised pursuant to any Transaction originate either directly or indirectly from any MSCs or may derive either directly or indirectly from any illegitimate activities as determined by Us.

13.3 Either party may terminate the Terms of Engagement immediately on giving written notice to the other if the other party becomes bankrupt or insolvent, or if an order is made or a resolution is passed for its winding up (other than voluntarily for the purpose of solvent amalgamation or reconstruction), or if an administrator, administrative receiver or receiver is appointed in respect of the whole or any part of its assets or business, or if it makes any composition with its creditors or takes or suffers any similar or analogous action in any jurisdiction in consequence of debt.

- 13.4 On termination of the Terms of Engagement for any reason, You will immediately pay Us for all outstanding unpaid sums and interest, and in respect of Services supplied prior to termination but for which no invoice has been submitted (including: (i) any costs which we have incurred; and (ii) any abortive fees, as defined in either the Letter of Engagement or the Service Specific Terms of Engagement). We may submit an invoice, which shall be payable immediately upon receipt. If You instruct another agent during or after the period of our instruction, this may result in a dual fee liability for You.
- 13.5 Termination of the Terms of Engagement for any reason will not affect the parties' accrued rights and the following clauses shall survive: 5.2, 6, 7, 8, 9, 10, 11, 13, 14, 16, 17, 22 and 23 and all provisions necessary to interpret or enforce the Terms of Engagement.
- 14 Liability**
- YOUR ATTENTION IS PARTICULARLY DRAWN TO THE PROVISIONS OF THIS CONDITION 14**
- 14.1 This Condition 14 sets out Our entire financial liability (including any liability for the acts or omissions of Our employees, directors, officers, agents, contractors and consultants) in respect of:
- (a) any breach of the Terms of Engagement;
 - (b) any use made by You of the Services or the Materials, information and advice provided by Us in performing the Services; and
 - (c) any representation, statement or tortious act or omission (including negligence) arising under or in connection with the provision of the Services, whether made by Us or any third party.
- 14.2 All warranties, conditions and other terms implied by law are, to the fullest extent permitted by law, excluded from the Terms of Engagement.
- 14.3 Nothing in these Conditions limits or excludes Our liability for:
- (a) death or personal injury resulting from negligence; or
 - (b) any damage or liability incurred by You as a result of any fraud or fraudulent misrepresentation made by Us; or
 - (c) such other matters for which liability cannot lawfully be limited or excluded.
- 14.4 Subject to clause 14.2 and clause 14.3:
- (a) We shall not be liable for:
 - (i) loss of profits; or
 - (ii) loss of business; or
 - (iii) depletion of goodwill or similar loss; or
 - (iv) loss of anticipated savings; or
 - (v) loss of goods; or
 - (vi) loss of contract; or
 - (vii) loss of savings; or
 - (viii) loss of use; or
 - (ix) loss of opportunity; or
 - (x) any special, indirect, consequential or pure economic loss, costs, damages, charges or expenses; or
 - (xi) loss of, or corruption of, data or information; or
 - (xii) any loss arising in connection with Our inability to provide the Services as a result of Your failure to comply with clause 12.2;
 - (xiii) any loss (including but not limited to those losses identified in sub-paragraphs (i) to (x) of this sub-paragraph 14.4a)) arising in connection with the termination of these
- Terms of Engagement by Us pursuant to clause 13.2(b);
- irrespective of whether or not We knew or ought to have known that such a loss might arise.
- (b) Subject to clause 14.3 Our aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise arising under or in connection with all matters under the Terms of Engagement will be limited to £5,000,000 (five million pounds sterling) per claim or series of related claims.
- 14.5 Without prejudice to the other provisions of this clause 14, We will not be liable in respect of any of the following:
- (a) any failure or delay in providing the Services where You have not complied with the Terms of Engagement;
 - (b) any failure by Us to remind You of relevant deadlines;
 - (c) in respect of any third party providers whom We may engage on Your behalf with Your prior written consent in the course of the Services or to whom We may refer You (save as set out in clause 18.2);
 - (d) any findings or recommendations not expressly set out in Our final report (if applicable);
 - (e) checking the accuracy of the Information, including without limitation boundary lines;
 - (f) advising You in relation to taxation matters save and to the extent that these are identified explicitly in the Letter of Engagement and form part of the Services We are providing;
 - (g) any failure by You to hold any necessary consents, permissions or authorisations required for the Transaction;
 - (h) any other matters set out in the Service Specific Terms of Engagement.
- 14.6 Where You are comprised of more than one entity, then Your liability under the Terms of Engagement will be joint and several with such other entity or entities.
- 14.7 You agree not to bring any claim for losses arising in connection with any matter under the Terms of Engagement against any BNPPRE Person. You accept that any such claim must be brought against Us. Both parties agree that any BNPPRE Person may enforce this clause under the Contracts (Rights of Third Parties) Act 1999, but that these Conditions (including this clause) may be varied at any time without the need for consent from any BNPPRE Person. Where a loss is suffered by You for which We and any other person are jointly responsible, any recoverable loss by You from Us will be proportionate to Our relative contribution to the loss suffered.
- 14.8 You agree to indemnify Us and keep Us indemnified against any liability which arises from a third party obtaining from You or using any Confidential Information and/or any Materials, information or advice provided by Us to You, unless We have agreed in writing to accept liability to such third party or the third party is a client of Ours and is permitted to obtain and use such Materials, Information or advice.
- 15. Force Majeure**
- We will not be liable to You for any delay or failure to fulfil Our obligations under the Terms of Engagement caused by circumstances outside Our reasonable control.
- 16 Correspondence, Papers and File Destruction**
- 16.1 All Materials in Our possession or control that have been generated for Our internal purposes or are addressed to Us relating to the Services (unless expressly notified otherwise upon their provision) shall be Our sole property. We will not be obliged to provide or make available to You such Materials unless We agree otherwise.



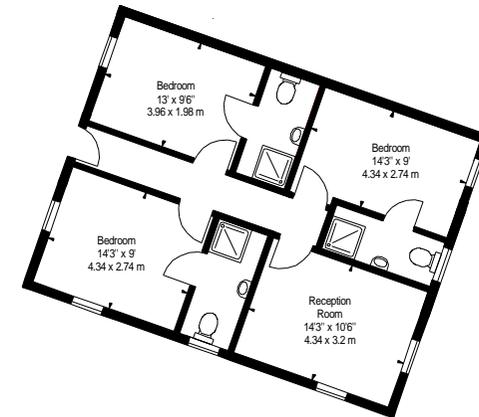
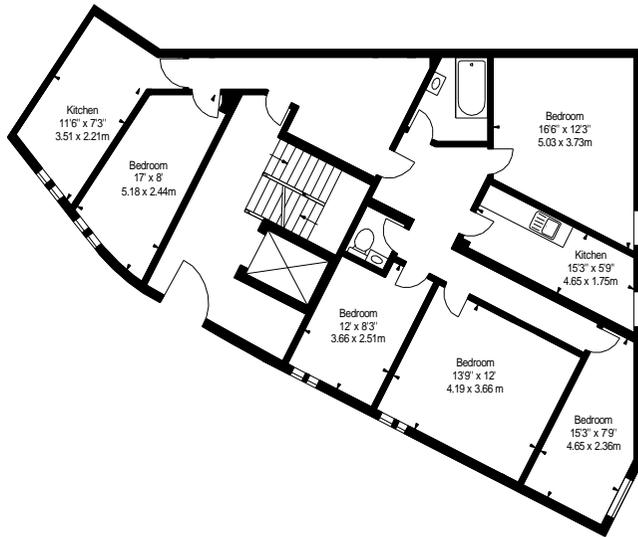
- 16.2 Subject to clause 9.4, all Confidential Information provided to Us by You will be returned or destroyed upon Your request, provided that We may retain copies of any Confidential Information which forms the basis of Our Materials and advice.
- 16.3 It is acknowledged that certain Materials may legally belong to You. Subject to clause 9.4, We shall return such Materials to you upon Your request. Where You do not request that such Materials are returned Our practice is to retain such Materials electronically or otherwise for six years from the date on which the Services or Transaction was effectively completed. After this time, Your Materials and all correspondence may be destroyed in accordance with our archiving policy.
- 16.4 Storage of Your Materials under clause 16.3 may be provided by third party contractors and You consent to this arrangement. You agree to meet our reasonable costs in accessing Your Materials at Your request, for reasons which do not relate to on-going work where such Materials have been archived following the completion of the relevant Services or Transaction. Such retention of Your Materials by Us shall be at Your risk and We shall have no liability to You for or caused by the destruction of or damage to such Materials.
- 17 Staff**
- If, without Our prior written approval, You directly and/or indirectly employ, engage and/or otherwise use the services of any member of Our or any of Our Affiliates' staff ("**Staff**") to work on an engagement for You during the term of the Terms of Engagement or during the twelve-month period following expiry or termination of the Terms of Engagement, You will be liable to pay to Us a recruitment fee equal to four months' total average fee income for the Staff member concerned. You acknowledge and agree that this sum is a genuine attempt to estimate the loss of income and costs that will be incurred by Us whilst we recruit (and as a consequence of recruiting) a replacement for such member of Staff.
- 18 Assignment**
- 18.1 Neither party may transfer or assign any rights or obligations under the Terms of Engagement without the prior written consent of the other party except as set out in this clause 18. We may assign all or any of the rights (and transfer all or any of the obligations) under the Terms of Engagement to any Group Company or any of Our successors in title in the relevant business, without any requirement to notify You or obtain Your further consent. You agree to execute a novation to give full effect to this.
- 18.2 We may sub-contract any incidental part or parts of any of the Services to be supplied to You, such as the preparation of plans, photography, advertising or courier services.
- 19 Notice**
- Notices given under these Conditions shall be in writing in the English language, and may be delivered in person or sent by courier or post to the address set out in the Terms of Engagement, or to such other address as may be notified by either party to the other from time to time. Notices will not be deemed validly served if sent by e-mail or any other form of electronic communication.
- 20 Publicity**
- We are keen to obtain publicity for work undertaken on behalf of Our clients. Unless details of the Services undertaken for You are publicly available, We will not externally publicise such details without Your prior written permission. However, You hereby agree to Us including such details in proposals or other similar submissions made to Our prospective clients, unless You subsequently expressly prohibit such disclosure in writing.
- 21 Health, Safety, Environment & Quality**
- 21.1 We maintain BS EN ISO 9001, BS EN ISO 14001 and Safecontractor accreditations. When visiting Our premises, You shall comply with Our Safety, Health, Environment and Quality Policies and Procedures, copies of which can be obtained by contacting Our Director of Facilities.
- 21.2 Where We agree to provide the Services at Your premises, or at a third party's premises, You shall be responsible for giving or obtaining any Information, safe access licences, consents or permissions which may be necessary to enable Us and Our personnel to provide the Services at the premises in question. You or the operator of the premises shall also ensure that all appropriate health & safety acts, regulations, codes of practice or information sheets have been followed so as to ensure the health and safety of Our personnel.
- 21.3 Our Safety, Health & Environmental risk assessments and control measures are given on the basis of, and in strict reliance upon, all material facts and Information having been accurately and fully disclosed to Us by You and You agree to confirm all such facts and Information in writing. Details of Our policies, procedures and completed risk assessments are available for Your inspection on reasonable notice and without additional charge.
- 22 Major Sanctioned Countries and Regions**
- 22.1 We are strongly committed to complying with the international financial sanctions enforced by the European Union, France and the United States to advance a range of foreign policy goals including but not limited to counterterrorism, non-proliferation, democracy and human rights promotion, conflict resolution and cybersecurity.
- 22.2 You represent, warrant and undertake that the Services to be provided and any Transaction contemplated hereunder has and will have no link with MSC-related proceeds or investments and that the source of funds to be used for payment of the Services and/or in the funding of any transaction contemplated pursuant to the Services do not originate (either directly or indirectly) from any MSCs.
- 22.3 We reserve the right to terminate the Terms of Engagement with immediate effect upon the provision of written notice in the event of a breach by You of Your obligations and undertakings pursuant to this clause 22.
- 23 Data Protection**
- 23.1 The provisions in this clause 23 are incorporated to comply with the EU Data Protection Law and in particular article 28 (Processor) GDPR. Capitalised terms used in this clause 23 but not otherwise defined in these Terms of Engagement, have the meanings assigned to them in the GDPR (in particular under its article 4 (Definitions) and/or in this clause.
- 23.2 You shall be the Data Controller and We shall be the Data Processor in respect of any Personal Data processed by Us on Your behalf ("**Your Personal Data**") under the Agreement.
- 23.3 The parties shall comply with applicable data protection laws and regulations including the EU Data Protection Law.
- 23.4 Information on the following elements required by the GDPR are as follows:
- (a) Subject-matter of the processing: For the provision of Services in accordance with these Terms of Engagement;
 - (b) Nature and purpose of the processing: Collection, storage, duplication, electronic viewing, deletion and destruction;
 - (c) Duration of the processing: Until the earliest of termination of this Agreement in accordance with its terms or the date upon which processing is no longer necessary for the purposes of either party performing its respective obligations under these Terms of Engagement (to the extent applicable);
 - (d) Type of Personal Data: personal details (title, first name, last name), position, contact information, location data, employer, ID data, delivery information, nationality, goods and services



- provided, financial information (bank or credit/debit card details), internet protocol address; and
- (e) Categories of Data Subjects: your tenants/landlords (as applicable), officers, employees and Your temporary staff and partners, complainants, correspondents, enquirers, suppliers, advisers, consultants and professional experts.
- 23.5 We shall process and transfer Your Personal Data only as required to deliver the Services or as instructed in accordance with documented instructions from You, unless We are required to otherwise process or transfer Your Personal Data under the laws of the European Union or one of its member states. Where such a requirement is placed on Us, We shall provide reasonable prior notice to You, unless the law prohibits such notice on important grounds of public interest as determined by Us.
- 23.6 We shall ensure that all BNPPRE Persons authorised to process Your Personal Data have committed themselves to confidentiality (e.g. via the confidentiality provision in their work contract for employees) or are under another appropriate obligation of confidentiality and do not process Your Personal Data except on instructions from You (as may be communicated via Us) unless they are required to otherwise process or transfer Your Personal Data under the laws of the European Union or one of its member states subject to the same rules as set out in clause 23.5.
- 23.7 In respect of security of processing:
- (a) taking into account the state of the art, the costs of implementation and the nature, scope, context and purposes of processing as well as the risk of varying likelihood and severity for the rights and freedoms of natural persons, We shall implement appropriate technical and organisational measures, with the aim of ensuring a level of security appropriate to the risk, it being understood that, if You require Us to take additional security measures beyond those foreseen in this clause, You shall pay the corresponding charges to Us on a time and materials basis (to be determined by Us); and
- (b) We shall notify You without undue delay, after becoming aware of a Personal Data Breach.
- 23.8 We shall not engage another processor, except under the conditions set out in clause 23.15.
- 23.9 We shall immediately inform You, if, in Our reasonable opinion, an instruction from You infringes the EU Data Protection Law.
- 23.10 At Your request and at Your expense, We shall provide reasonable assistance to enable You, in accordance with Your obligations under the EU Data Protection Law:
- (a) to answer to requests from the supervisory authority in the performance of its tasks;
- (b) to notify Personal Data Breaches to the supervisory authority and communicate the Personal Data Breach to the individuals to whom Your Personal Data relates;
- (c) to conduct data protection impact assessments and consult the supervisory authority on that basis;
- (d) to implement technical and organisational security measures to ensure the security of the processing;
- (e) to respond to requests from individuals to whom Your Personal Data relates who are exercising the data subject's rights laid down in Chapter III (Right of the Data Subject) under the GDPR, it being understood that We shall notify You of any request made by a Data Subject to access Your Personal Data or exercise any other Data Subject right set out in Chapter III "Right of the Data Subject" under the GDPR in respect of such data and act only as per Your instructions regarding the handling of such request; and;
- (f) more generally, to enable You to comply with the obligations pursuant to articles 32 to 36 GDPR taking into account the nature of processing and the Information available to Us.
- 23.11 In the event a court and/or a data protection authority initiates proceedings against a party and upon request of the other party, the latter shall cooperate in good faith and without undue delay to assist at no additional cost such party to the extent it requires during such proceedings.
- 23.12 At Your choice and Your expense, We shall either (i) delete or (ii) return all Your Personal Data to You after the end of the provision of Services relating to processing, and delete existing copies, unless the laws of the European Union or one of its member states requires storage of Your Personal Data.
- 23.13 At Your request and at Your expense, We shall make available to You all information necessary to demonstrate compliance with the obligations laid down in this clause 23.13 and allow for and contribute to audits, including inspections, conducted by You or another auditor mandated by You. If any audit reveals that We are not in compliance with the provisions of this clause and/or EU Data Protection Law, Your exclusive remedy, and Our exclusive obligation, shall be that: (i) the parties will discuss such findings and (ii) You shall take, at Your own cost, all corrective actions including any temporary work-arounds necessary to comply with the provisions of this clause and/or EU Data Protection Laws. We may charge You for any corrective actions if the corrective actions were required due to changes of EU Data Protection Laws.
- 23.14 We shall be entitled to transfer Your Personal Data to a country located outside the EEA which has not been recognised by the EU Commission as ensuring an adequate level of protection, if You (i) have provided appropriate safeguards in accordance with the EU Data Protection Law (e.g. the European Union standard clauses on the transfer of Personal Data from Controller to Processor) or (ii) can rely on a derogation foreseen by the data protection legislation enabling such transfer. You shall from time to time execute such documents and perform such acts as We may reasonably require to implement any such appropriate safeguards.
- 23.15 You hereby provide a general written authorisation to Us to engage sub-processors to process Your Personal Data. We shall inform you of any addition or replacement of sub-processors, giving You the opportunity to object to such changes. If You reasonably object to such change, You shall refrain from making that addition or replacement and shall be entitled to terminate the Agreement. Where We engage another processor under this clause 23.15, We shall ensure that the obligations set out in this clause are imposed on that processor by way of a written contract.

Appendix 2

Copy of Layout Plans



APPROX. GROSS INTERNAL AREA *
2248 Ft² - 208.83 M²
LOWER GROUND FLOOR

Property Details: STUDENT ACCOMMODATION CATHEDRAL STREET LINDUM ROAD LINCOLN		Surveyed and Drawn By:  Sunnyhill House, 3-7 Sunnyhill Road London, SW16 2UG
LOWER GROUND FLOOR	SCALE 1:200 @ A4	
Plans Drawn: 20.02.2012		

Tel: 0845 257 2023
 Fax: 0845 257 2024
info@bkrfloorplans.co.uk
www.bkrfloorplans.co.uk
 © BKR 2012



APPROX. GROSS INTERNAL AREA *
6818 Ft² - 633.39 M²
GROUND FLOOR

Property Details: STUDENT ACCOMMODATION CATHEDRAL STREET LINDUM ROAD LINCOLN			Surveyed and Drawn By: 
GROUND FLOOR			Sunnyhill House, 3-7 Sunnyhill Road London, SW16 2UG Tel: 0845 257 2023 Fax: 0845 257 2024 info@bkrfloorplans.co.uk www.bkrfloorplans.co.uk © BKR 2012
Plans Drawn: 20.02.2012		SCALE 1:200 @ A4	



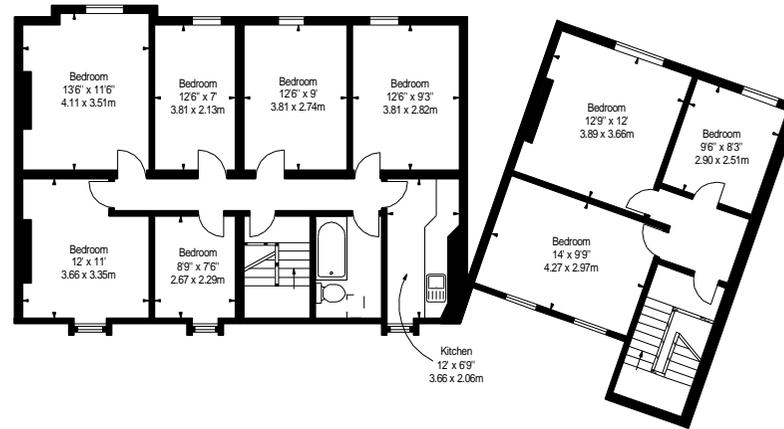
APPROX. GROSS INTERNAL AREA *
 6812 Ft² - 632.83 M²
 FIRST FLOOR

Property Details: STUDENT ACCOMMODATION CATHEDRAL STREET LINDUM ROAD LINCOLN			Surveyed and Drawn By: 
FIRST FLOOR			Sunnyhill House, 3-7 Sunnyhill Road London, SW16 2UG Tel: 0845 257 2023 Fax: 0845 257 2024 info@bkrfloorplans.co.uk www.bkrfloorplans.co.uk © BKR 2012
Plans Drawn: 20.02.2012		SCALE 1:200 @ A4	



APPROX. GROSS INTERNAL AREA *
5054 FT² - 469.51 M²
SECOND FLOOR

Property Details: STUDENT ACCOMMODATION CATHEDRAL STREET LINDUM ROAD LINCOLN			Surveyed and Drawn By: 
SECOND FLOOR			Sunnyhill House, 3-7 Sunnyhill Road London, SW16 2UG Tel: 0845 257 2023 Fax: 0845 257 2024 info@bkrfloorplans.co.uk www.bkrfloorplans.co.uk © BKR 2012
Plans Drawn: 20.02.2012		SCALE 1:200 @ A4	



APPROX. GROSS INTERNAL AREA *
1470 Ft² - 136.56 M²
THIRD FLOOR

Property Details: STUDENT ACCOMMODATION CATHEDRAL STREET LINDUM ROAD LINCOLN			Surveyed and Drawn By: 
THIRD FLOOR	SCALE 1:200 @ A4		Sunnyhill House, 3-7 Sunnyhill Road London, SW16 2UG Tel: 0845 257 2023 Fax: 0845 257 2024 info@bkrfloorplans.co.uk www.bkrfloorplans.co.uk
Plans Drawn: 20.02.2012			© BKR 2012



**BNP PARIBAS
REAL ESTATE**

Appendix 3

Photographs



APPENDIX 3 : SCHEDULE OF PHOTOGRAPHS



Exterior – viewed from Lindum Road



Exterior – viewed from Cathedral Street



“Eastern” Wing



Rear elevation



Original buildings fronting Lindum Street



Original buildings fronting Lindum Street



“Western” Wing



Date Plaque



Typical Kitchen



Typical Kitchen



Typical Lounge



Typical Lounge



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom



Typical cluster bedroom

Appendix 4

Copy of Valuation Calculations

REPORT Property Valuation

BNP Paribas Real Estate

Cathedral Street,Lincoln,LN2 5HH

Report Date 12 September 2019
Valuation Date 12 September 2019

Total Current Rent £244,327
Total Rental Value £244,327
Number of Tenants 1
Description/notes

Assumptions

Valuation Tables Annually in Arrears

Valuation

Gross Valuation £3,054,088
Capital Costs £0
Net Value Before Fees £3,054,088

Less Stamp Duty @0.00% of Net Value £0
Agents Fee @1.00% of Net Value -£36,001
Legal Fee @0.50% of Net Value -£18,001

Fees include non recoverable VAT @ 20.00 %

Net Valuation £3,000,086
Say £3,000,000

Equivalent Yield 8.0002% True Equivalent Yield 8.4168%
Initial Yield (Deemed) 8.0002% Initial Yield (Contracted) 8.0002%
Reversion Yield 8.0002%

Total Contracted Rent £244,327 Total Current Rent £244,327
Total Rental Value £244,327 No. Tenants 1
Capital value per ft² £0.00

Running Yields

Date	Gross Rent	Net Rent	Annual	Quarterly
12-Sep-2019	£244,327	£244,327	8.0002 %	8.4168 %

Yields based on £3,054,002

REPORT **Property Valuation**

BNP Paribas Real Estate

Cathedral Street,Lincoln,LN2 5HH**Report Date** 12 September 2019
Valuation Date 12 September 2019Freehold TenureTenant - Direct Managed Platform

Description
Status Occupied and Let
Lease 25 years from 01-Jan-2000
Expiring 31-Dec-2024
Rent Reviews every 5 years Upward only

Parent Tenure Freehold
Current Rent £244,327
Rental Value £244,327
Valuation Method Hardcore (8.000 %)

NotesAreas

Areas	per ft ²	ft ²	% of ERV	+/-% adjust	Rent pa
	£0.00	0	100.00 %	0.00	£0
					£0

*Rental Value using Manually input ERV

£244,327

Lease History

Date	Years	Months	Days	Event	Rent Paid
01-Jan-2015	5	0	0	Review	£244,327
01-Jan-2020	5	0	0	Review	£244,327
01-Jan-2025	0	0	0	Reversion	£244,327

Component Valuation

12-Sep-2019
Gross rent (Current) £244,327
Valuation rent £244,327
YP perp @ 8.00% 12.5000 yp

£3,054,088

Gross Value **£3,054,088**