

Valuation Advisory

Client: Transport for London

Properties: The Earls Court Development Site, London SW5

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

March 2019



Appendices

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30 Warwick Street London W1B 5NH

[Redacted]

[Redacted]
jll.co.uk

The Directors
Transport for London
55 Broadway
London
SW1H 0BD

Our ref CQS/479500LON/1000 500711

Direct line [Redacted]

[Redacted]@eu.jll.com

31st March 2019

Dear Sirs

Terms of Reference

Addressee: The Directors
Transport for London
55 Broadway
London
SW1H 0BD

For the attention of Jonathan Cornelius

Properties: Property Portfolio of the Earls Court Partnership Limited (the "Properties") which include the following:

The Earls Court Development Site, London SW5

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

Reliance: This report is confidential to the party to whom it is addressed.

If at any stage it is intended to include the valuation or report, or any reference thereto, in any Prospectus or Circular to shareholders or similar public document, our written consent will be required.

Save in respect of the Valuer's liability for death or personal injury caused by its negligence, or the negligence of its employees, agents or subcontractors or for fraud or fraudulent misrepresentation (which is not excluded or limited in any way):

a) the Valuer shall under no circumstances whatsoever be liable, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising out of or in connection with the Agreement and / or the Services; and



b) the Valuer's total liability in respect of all losses arising out of or in connection with the Agreement and / or the Services, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed [REDACTED]. This amount shall be an aggregate cap on the Valuer's liability to all Beneficiaries together.

Tenure:	Leasehold and Freehold. Please refer to the summary schedule for more details.
Valuation Date:	31 st March 2019
Instruction Date:	20 th March 2019
Instruction and Purpose of Valuation:	<p>In accordance with our Terms of Engagement 20th March 2019, we are instructed to provide you with a report and valuation for regulated purposes (financial reporting) for the seven properties which form part of the Earls Court Partnership Limited.</p> <p>We are advised that you prepare your financial statements in accordance with the International Financial Reporting Standards (IFRS) and we confirm that this advice accords with these accounting requirements. The main property, the Earls court site, is held for development and the remaining properties are held for investment.</p>
Basis of Valuation:	<p>We confirm that our valuations and report has been prepared in accordance with the current RICS Valuation – Global Standards 2017, which incorporates the IVS, published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Global Standards UK National Supplement (the RICS Red Book as applicable) on the basis of the IFRS 13 definition of Fair Value as defined in Appendix 2.</p> <p>Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We confirm that Fair Value is effectively the same as Market Value.</p> <p>The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports which are attached in Appendix 2.</p> <p>No allowance has been made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.</p> <p>We have assumed that in the event of a sale of the properties, they would be marketed in an orderly manner and would not all be placed on the market at the same time.</p>
Inspection:	<p>No properties were inspected for the March 2019 valuation and this valuation was undertaken as a desk top exercise. However, we are familiar with the assets and we have inspected them in the past 3 years.</p> <p>The Earls Court site is a development site with ongoing enabling works.</p>
Disclosures:	<p>In our firm's preceding financial year the proportion of total fees payable by the client commissioning this valuation was less than 5% of the firm's total fee income.</p> <p>It is not anticipated there will be a material increase in the proportion of fees payable to the firm by the client commissioning this valuation report since the end of the last financial year or in the next financial year.</p>



_____ are signatories to this report.

We confirm that we value the same properties on behalf of Capco in relation to their relevant 63% share of the Joint Venture for Accounts purposes. We confirm that we have no other fee earning relationship with either party with regard to the Earls Court redevelopment and the Earls Court Joint Venture.

Personnel:

The valuations have been prepared by _____

We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards and are RICS Registered Valuers.

Status:

In preparing these valuations we have acted as External Valuers, subject to any disclosures made to you.

Planning:

The Earls Court redevelopment site falls within the Royal Borough of Kensington & Chelsea (RBKC) and the London Borough of Hammersmith & Fulham (LBHF). The boundary between the two boroughs broadly follows the line of the West London Line, which runs north to south across the site. It also falls in the Earls Court Opportunity Area (EOA), as designated in the London Plan. The Masterplan for the EOA covers 77 acres (31 hectares) and proposes some 10.1 million square feet of developable space, to include the creation of four urban villages comprising 7,500 new homes, open green space, health facilities and community and cultural spaces. The Masterplan benefits from outline planning permission which provides a framework to guide the regeneration of the whole site.

In November 2013 two outline planning permissions were granted in respect of this proposed Masterplan redevelopment following signing of the s106 agreement. Planning Permission 1 relates to the RBKC part of the site and Planning Permission 2 relates to the LBHF part of the site. This outline permission establishes the key principles of the Earls Court Masterplan development with the detailed proposals being the subject of further planning submissions for determination by RBKC and LBHF.

In April 2014 and November 2018 detailed planning consent was granted for most of the development parcels falling within ECPL relating to details of design of the proposed buildings, scale, layout and landscaping. The buildings on the Blue car park is still subject to outline consent and proposals for the Empress Place site is subject to a planning consent.

The properties have been valued in the context of this planning situation.

Assumptions:

As detailed in our General Principles, attached at Appendix 2, we have made a number of assumptions including:-

We have assumed that a good and marketable title is held and that there are no encumbrances, restrictions, easements or other outgoing of an onerous nature, which would have a material effect on the value of the interests under consideration.

We have assumed that all leases are drawn on standard terms with no unusual or onerous clauses that would impact on value.



We have not undertaken planning enquiries and have assumed that the properties complies with all relevant regulations and legislation.

We have assumed that the properties are structurally sound and that there are no structural, latent or other material defects.

We have assumed that the properties are not affected by environmental contamination.

We have assumed that mains water, gas and electricity are connected to the properties, and that they drain into the public sewer.

We have made no 'Special Assumptions'.

Sources of Information:

We have carried out all the necessary enquiries with regard to rental and investment value, Rateable Value, planning issues and investment considerations. We have not carried out a building survey or environmental risk assessment. We have not measured the premises in accordance with the RICS Code of Measuring Practice and have relied on the floor areas provided.

For the offices, you have instructed us not to adopt or report IPMS measurements in the valuation of this property unless the principal market and comparable are assessed on an IPMS basis. We have therefore relied on areas measured on the basis of the RICS Code of Measuring Practice 6th Edition 2007.

We have not been supplied with and relied upon, a draft Certificate of Title and other correspondence by your solicitor.

We have relied on all the scheme drawings, floor areas, build costs and infrastructure costs provided by ECPL and Arcadis which we have not verified.

We have been provided with an up to date tenancy schedule and have relied on this for the purposes of the valuations.

Valuation Approach:

The Earls Court Development site: In April 2015 Capital & Counties Properties PLC (Capco) and Transport for London (TfL) established a joint venture, Earls Court Partnership Limited (ECPL) with Capco owning 63 per cent and TfL 37 per cent of the shares respectively. The Joint Venture has appointed a board of directors which comprises four representatives from Capco and three representatives from TfL.

Capco has also been appointed as the business manager to enable the development of Earls Court to be co-ordinated with the wider development of the Masterplan.

The joint venture arrangement has resulted in two new 999 year leases over Earls Court 1 & 2 and a further 999 year lease over the Northern Access Road being granted to the Joint Venture.

We have valued the Earls Court Site as a standalone scheme on the basis of the consented Earls Court Village scheme. We have also valued the freehold interest of the Empress Place site as an integrated part of the Earls Court development scheme reflecting the marriage value created by the land assembly.



[Redacted text block]

In terms of the property market, the UK housing market slowdown, caused by economic and political uncertainty, has continued. Prime property sentiment is fragile and the prime market remains price sensitive. Two rounds of stamp duty changes as well as Brexit have served to dampen conditions. All these factors have led to a decline in sales market transactions and pricing, especially at the upper-end of the market. According to JLL Research, prime central London sales prices declined by a further 0.5% since June 2018. Prices have fallen across all price brackets and property types. To reflect the current market sentiment we have reduced our December 2018 sales values.

[Redacted text block]

Please note that development values are considered volatile and can vary significantly depending on both market conditions and enhanced planning prospects.

[Redacted text block]

We confirm we have valued each property on a 100% ownership basis. No account has been taken of any premium or discount to reflect any corporate structure or tax implications which may arise from the ownership structure of any of the properties.



Aggregate Market Valuation:

We are of the opinion that the Fair Value (as defined in Appendix 2) of the total aggregate Fair Value of the leasehold and freehold interests of the properties forming part of ECPL, subject to the existing tenancies as at 31st March 2019 is:-

£648,605,000

(SIX HUNDRED AND FORTY EIGHT MILLION SIX HUNDRED AND FIVE THOUSAND POUNDS)

We set out the individual values below: -

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Grand Total	[REDACTED]

Tfl's 37% share

We are of the opinion that the Fair Value (as defined in Appendix 2) on the basis of 37% share of the total aggregate Fair Value of the leasehold and freehold interests of the properties forming part of ECPL, subject to the existing tenancies as at 31st March 2019 is:-

£239,983,850

(TWO HUNDRED AND THIRTY NINE MILLION NINE HUNDRED AND EIGHTY THREE THOUSAND AND EIGHT HUNDRED AND FIFTY POUNDS)

Purchaser's Costs:

We have allowed for Stamp Duty Land Tax for the land and commercial properties as follows: Market Value of up to £150,000, zero; next £100,000 (the portion from £150,001 to £250,000), 2.00%; remaining amount (the portion above £250,000), 5.00%.
We have also allowed for agents and legal fees plus VAT at standard market rates which amounts to 1.80%.



Confidentiality and Publication: Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully

A large black rectangular redaction box covering the signature of the first director.

A black rectangular redaction box covering the name of the first director.

Director

For and on behalf of Jones Lang LaSalle Limited

Yours faithfully

A large black rectangular redaction box covering the signature of the second director.

A black rectangular redaction box covering the name of the second director.

Director

For and on behalf of Jones Lang LaSalle Limited

Yours faithfully

A large black rectangular redaction box covering the signature of the third director.

A black rectangular redaction box covering the name of the third director.

Director

For and on behalf of Jones Lang LaSalle Limited

JLL offices

30 Warwick Street
London
W1B 5NH

[Redacted]

[Redacted]

Lead Director
Professional & Advisory Group
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London

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Appendix 1
Instruction letter

Private and Confidential

Our ref CQS/479500

Direct line [REDACTED]

[REDACTED]@eu.jll.com

20 March 2019

Transport For London
55 Broadway
London
SW1H 0BD
For the attention of Jonathan Cornelius

Dear Jonathan,

Valuation – Property Portfolio of the Earls Court Partnership Limited (the "Properties")

Thank you for instructing Jones Lang LaSalle Limited ("JLL", "we", "us") to act for Transport For London (the "Client", "you") in connection with the valuation of the above Properties (The "Instruction").

We are pleased to provide you with details of our services and fees and we enclose our General Terms and Conditions of Business (the "General Terms") and our General Principles Adopted in the Preparation of Valuations and Reports which, together with this letter (the "Letter of Engagement"), will form the agreement in respect of our appointment. To the extent that the Letter of Engagement conflicts with the General Terms, the Letter of Engagement shall prevail.

1 Scope of Services

We shall provide you with the following services:

- 1) Desktop valuation of the Portfolio
- 2) Undertake all Market Research
- 3) Review Planning
- 4) Undertake valuation of Earls Court Development site using Argus Developer adopting the residual method of valuation
- 5) Undertake valuation of investments properties using Argus Valcap adopting the investment method
- 6) Report draft valuations
- 7) Report in a Valuation Report meeting all IFRS and RICS Red book regulatory requirements.

Referred to in this letter of engagement as "Services".

2 JLL Team

[REDACTED] will be your main point of contact: [REDACTED]@eu.jll.com.

Also working on this instruction will be [REDACTED] : [REDACTED]@eu.jll.com.



The Director with overall responsibility for the matter is [REDACTED] who is in a position to provide an objective and unbiased valuation.

3 Purpose of Valuation

We understand that you require a valuation for the purpose of accounts.

4 Interest to be Valued

We confirm that we will value the freehold and long leasehold interests in the relevant properties.

We understand that the some of the main property in the portfolio is the Earls Court development site and the other properties are currently held for investment purposes.

5 RICS Compliance

We confirm that our valuation and report will be prepared in accordance with the current RICS Valuation – Global Standards 2017, which incorporates the IVS, published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Global Standards 2017 – UK national supplement (the RICS Red Book).

6 Basis of Value

We will value the Properties on the following basis and assumptions:-

- Fair Value (FV): The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The definition of this basis of valuation is contained within the RICS Red Book and will be further explained in our report.

7 Conflicts of Interest and Prior Involvement

We confirm that we already value the Portfolio of Earls Court Partnership Limited which comprises a joint venture of Capital and Counties and the Transport for London. The valuation is for accounts purposes as at June and December each year. The valuation is required for the TfL accounts as at March 2019 and both parties have agreed that it would be consistent for JLL to value the partnership as at the valuation date.

We have written to Capital and Counties advising them of your engagement and seeking their agreement for us to act on this basis. By signing this letter you are confirming that you agree to these arrangements.

8 Status of Valuer

We confirm that we will act as External Valuers in accordance with the RICS Red Book and that we have the knowledge, skills and understanding to undertake the valuation competently. The valuers undertaking the instruction are RICS Registered Valuers.

9 Valuation Date

The valuation date will be 31 March 2019.



10 Currency

We confirm that we will provide a valuation in "£" (British Pounds).

11 Report and Timescale

We confirm that we will provide you with a short form valuation report. We will also undertake investigations on your behalf and include detailed market commentary, leasing and investment comparables, together with details of our investment rationale. The contents of the report will meet the requirements of VPS 3 of the RICS Red Book.

As agreed, we will provide a draft valuation within 2 weeks of receipt of all information and confirmation of our instructions and we will provide our final report 1 week after that.

We will provide a PDF copy of our final report. We will also provide 2 hard copies of the report.

12 Sources of Information

Our General Principles Adopted in the preparation of Valuations and Reports set out the scope of our investigations with the following exceptions:

- We will depart from the General Principles to the extent that such departure is necessary or appropriate in light of any matter affecting the Properties that comes to our attention. In that situation, we shall notify you of such departure in our report, which shall supersede our General Principles.

We will rely upon information provided by Earls Court Partnership Limited in respect of Titles, tenancies, building condition (survey), costs of repair and development, environmental issues, floor areas and any third party due diligence reports.

We will not review copies of the leases. Any advice approval or representation made or given by us regarding the legal meaning or effect of such title deeds and other legal documents (draft or final version) should not be relied on by you. Any advice regarding legal interpretation or legal drafting issues must be obtained from your solicitors.

We will rely on areas provided by Capital and Counties.

13 Fees

We have agreed our fee with you in the sum of £[REDACTED] plus VAT including disbursements.

Our fee account will be addressed to you.

In the event that our instruction is ended for any reason before we deliver our final report we would seek to charge a fair and reasonable fee based on the amount of work undertaken.

14 Reliance

Our report shall be addressed to you only.

If we extend our liability we would seek to charge an additional fee and this extension would be on the basis that the other parties will be subject to the terms of our instructions including our liability cap.

15 Confidentiality and Publication

In accordance with our normal practice, we confirm that the report will be addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part nor any



references thereto may be published in any document, statement or circular nor in any communication with third parties without our prior written approval (which shall be at our sole discretion) and our approval of the form and context in which it will appear.

16 Money Laundering Regulations

We may be required by the Money Laundering Regulations to request that you provide us with identity verification information and documentation. You agree to provide said information and documentation upon request. We may confirm your identity and the information provided through third party databases.

17 Complaints

JLL operates a complaints handling procedure in accordance with RICS regulation requirements. A copy is available on request.

18 Monitoring

We are required by the RICS to inform you that the valuation may be subject to monitoring or investigation by the RICS under the Institution's conduct and disciplinary regulations. Guidance on the operation of the monitoring regime, including matters relating to confidentiality, is available at www.rics.org/regulation.

19 Important Information

Please read the General Terms carefully.

Save in respect of our liability for death or personal injury caused by our negligence, or the negligence of its employees, agents or subcontractors or for fraud or fraudulent misrepresentation (which is not excluded or limited in any way):

a) we shall under no circumstances whatsoever be liable, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising out of or in connection with this report; and

b) our total liability in respect of all losses arising out of or in connection with this report, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed £ [REDACTED]. This amount shall be an aggregate cap on our liability to all relying parties together.

In no circumstances will we have any responsibility or liability in connection with any lending decision made prior to our Report.

We confirm that we hold sufficient professional indemnity insurance cover for the valuation provided and our overall workload.

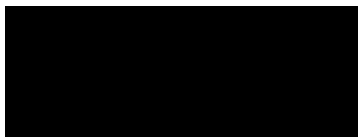


20 Confirmation

Please sign, date and return a copy of this letter to confirm our appointment upon the terms set out in this letter and the attached General Terms. Until such time as we receive the signed letter, these terms apply to the provision of our services.

If you require any further assistance then please do not hesitate to contact us.

Yours sincerely



Director

For and on behalf of Jones Lang LaSalle Limited

Encs

General Terms & Conditions of Business

General Principles Adopted in the Preparation of Valuations and Reports

We have read and accept the terms of this Letter of Engagement and the General Terms on behalf of the Client and any other joint owners, and acknowledge receipt of a copy of the same.

Signed

On behalf of

Date

Appendix 2

General Terms and Conditions

General Principles

Definition of Fair Value



General Terms and Conditions of Business amended by agreement with Earls Court Partnership Limited

1. AGREEMENT

- 1.1. These terms together with any Letter of Engagement and any Special Terms, set out the terms on which JLL will provide the Services to the Client. Each of the provisions provided in the Agreement are severable and distinct from the others.
- 1.2. The Letter of Engagement shall prevail to the extent of any conflict between the Terms, any Special Terms and the Letter of Engagement and the Special Terms shall prevail over these Terms. The Agreement supersedes any previous arrangement concerning its subject matter. Unless the Parties agree otherwise, these Terms shall apply to any future instructions from the Client although such instructions may be subject to additional Special Terms and a specific Letter of Engagement may be issued.

2. INTERPRETATION

The following definitions and rules of interpretation apply in these Terms.

2.1. Definitions

"Affiliates" includes in relation to either Party each and any subsidiary or holding company of that Party and each and any subsidiary of a holding company of that Party and any business entity from time to time controlling, controlled by, or under common control with, either Party;

"Agreement" any Letter of Engagement, any Special Terms and these Terms;

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for business in London;

"Claims" means all third party actions, claims, proceedings, loss, damages, costs and expenses (including claims by any insurer of the Client);

"Client" means the Party who enters into the Agreement with JLL;

"Force Majeure" means an event beyond the reasonable control of JLL including strikes, lock-outs or other industrial disputes (whether involving the workforce of JLL or any other party), failure of a utility service or transport network, act of God, war, riot, civil commotion, malicious damage, compliance with any law or governmental order, rule, regulation or direction, accident, breakdown of plant or machinery, fire, flood, storm or default of suppliers or subcontractors;

"Insolvent" means in relation to:

- (a) a company (including any body corporate), that it:
 - (i) is unable to pay its debts as they fall due;
 - (ii) becomes or is deemed insolvent;
 - (iii) has a notice of intention to appoint an administrator filed at Court in respect of it, has an administrator appointed over, or has an administration order in relation to it, or has appointed a receiver or an administrative receiver over, or an encumbrancer takes possession of or sells the whole or part of its undertaking, assets, rights or revenue;
 - (iv) passes a resolution for its winding up or a court of competent jurisdiction makes an order for it to be wound up or dissolved or it is otherwise dissolved (other than a voluntary winding up solely for the purpose of a solvent amalgamation or reconstruction); or
 - (v) enters into an arrangement, compromise or composition in satisfaction of its debts with its creditors or any class of them or takes steps to obtain a moratorium or making an application to a court of competent jurisdiction for protection of its creditors;
- (b) a partnership, that it is dissolved by reason of the bankruptcy of one or more of its partners;

- (c) an individual, that he is bankrupt; and
- (d) a Party based outside England and Wales, that it is considered insolvent by the laws applicable to that Party;

“Intellectual Property Rights” means patents, utility models, rights to inventions, copyright and related rights, trade marks and service marks, trade names and domain names, rights in get-up, goodwill and the right to sue for passing off or unfair competition, rights in designs, rights in computer software, database rights, rights to preserve the confidentiality of information (including know-how and trade secrets) and any other intellectual property rights, including all applications for (and rights to apply for and be granted), renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist, now or in the future, in any part of the world;

“JLL” means Jones Lang LaSalle Limited of 30 Warwick Street London W1B 5NH registered in England and Wales with company number 01188567 and/or any Affiliate that provides the Services to the Client;

“Letter of Engagement” means the letter or email and any schedules/appendices sent to the Client by JLL which sets out details of the Services to be provided to the Client pursuant to the Agreement;

“Materials” means all materials, equipment, documents and other property of JLL;

“Party” means either the Client or JLL (as the context requires) and **“Parties”** shall mean both of them;

“RICS” means the Royal Institution of Chartered Surveyors;

“Services” means the Services set out in the Letter of Engagement or as otherwise agreed in writing between the Parties;

“Special Terms” means, save for the terms set out in the Letter of Engagement, any terms and conditions agreed in writing between the Parties to be additional to and/or take precedence over these Terms;

“Terms” means these terms and conditions.

- 2.2. References in the Agreement and these Terms to a “holding company” means a holding company as defined in section 1159 of the Companies Act 2006 or a parent undertaking as defined in section 1162 and schedule 7 of the Companies Act 2006. References to a “subsidiary” means a subsidiary as defined in section 1159 of the Companies Act 2006 or a subsidiary undertaking as defined in section 1162 and schedule 7 of the Companies Act 2006.
- 2.3. Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 2.4. A reference to a statute or statutory provision is a reference to it as it is in force as at the date of the Agreement and shall include all subordinate legislation made as at the date of the Agreement under that statute or statutory provision.
- 2.5. A reference to writing or written unless otherwise specified herein includes e-mail.
- 2.6. Any words following the terms **including**, **include**, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- 2.7. Headings are for convenience only and do not affect the interpretation of this Agreement.

3. SERVICES

- 3.1. JLL shall provide the Services using reasonable care and skill and shall carry out the Services in accordance with the client’s reasonable instructions as long as they do not conflict with the Agreement or applicable law, regulation and professional rules.
- 3.2. JLL has no obligation to provide Services beyond the scope of what is agreed in writing between the Parties. In particular, JLL has no obligation to provide nor any liability for the following:
 - a) an opinion on the price of a property unless specifically instructed to carry out a formal valuation;
 - b) any advice regarding the condition of a property unless specifically instructed to carry out a formal survey of the condition;
 - c) the security or management of a property unless specifically instructed to arrange it;
 - d) the safety of any third party entering any premises; or
 - e) the management or payment of any third party suppliers.

- 3.3. Where the Parties have agreed that JLL shall carry out estate agency business, JLL shall:
- a) report in writing all offers it receives regarding the relevant property;
 - b) comply with its obligations under the Estate Agents Act 1979 and regulations made under that Act together with any other similar laws and regulations.
- 3.4. JLL shall use reasonable endeavours to meet any performance dates specified by the Client but shall not have any obligation to do so unless specifically agreed in writing. JLL shall not be responsible for any failure to meet performance dates due to causes outside its reasonable control and time shall not be of the essence for performance of the Services.
- 3.5. JLL shall have the right to make any changes to the Services which are necessary to comply with any applicable law, regulation, safety requirement, or which do not materially affect the nature or quality of the Services and JLL shall notify the Client in any such event.
- 3.6. JLL may use electronic communication and systems to provide the Services and shall make available to the Client any software required in order to access the Services by such means that is not publicly available. The Client agrees to comply with any licence terms applicable to such software as are notified to it and acknowledges that if it does not agree to do so, it may not be able to access the Services by electronic means.
- 3.7. Without prejudice to clause 9.2(b), if JLL becomes aware of a conflict of interest, it shall advise the Client and take reasonable steps to recommend a course of action.

4. CLIENT OBLIGATIONS

- 4.1. The Client shall:
- a) notify JLL promptly if it considers that any details or requirements set out in the Letter of Engagement and any Special Terms are incomplete or inaccurate;
 - b) co-operate with JLL in all matters relating to the Services;
 - c) provide JLL, its employees, agents, consultants and subcontractors, with access to the Client's premises, office accommodation and other facilities as reasonably required by JLL;
 - d) promptly provide JLL with such information and materials as it may reasonably require in order to supply the Services, and warrants that such information is complete and accurate; and
 - e) obtain and maintain all necessary licences, permissions and consents which may be required before the date on which the Services are to start.
- 4.2. In the event of any act or omission by the Client in breach of the Agreement or failure by the Client to perform any relevant obligation (**Client Default**):
- a) JLL shall without limiting its other rights or remedies have the right to suspend performance of the Services until the Client remedies the Client Default, and to rely on the Client to relieve it from the performance of any of its obligations to the extent the Client Default prevents or delays JLL's performance of any of its obligations; and
 - b) JLL shall not be liable for any costs or losses sustained or incurred by the Client arising directly or indirectly from the Client Default.
- 4.3. The Client is responsible for effecting and maintaining adequate property and public liability insurance. The Client's attention is drawn to clause 12.12.

5. PAYMENTS

- 5.1. Whenever possible, the fees and expenses (if known) for the Services shall be as set out in the Letter of Engagement. Where fees and expenses for the Services are not specified in writing, JLL shall be entitled to:

- a) the fee specified by the RICS or if there is none specified, by any other applicable professional body chosen by JLL (acting reasonably) or, if none is specified, a fair and reasonable fee by reference to time spent undertaking the Services; and
 - b) reimbursement of any expenses properly incurred by JLL on the Client's behalf.
- 5.2. All amounts payable by the Client under the Agreement are exclusive of value added tax (**VAT**) or similar taxes which the Client shall pay at the applicable rate.
- 5.3. In consideration of the provision of the Services, the Client shall pay each invoice submitted by JLL in accordance with the Letter of Engagement within 28 days from the date of invoice.
- 5.4. If the Client fails to make any payment due to JLL under the Agreement by the due date for payment, then JLL reserves the right to charge late payment interest after the due date on the overdue amount at the rate of 2% per cent per annum above the Bank of England's base rate from time to time. Such interest shall accrue on a daily basis from the due date until actual payment of the overdue amount, whether before or after judgment. The Client shall pay the interest together with the overdue amount.
- 5.5. If termination of the Agreement takes place prior to the Services being completed, JLL shall without limitation to its other rights and remedies under this Agreement or at law be entitled to receive from the Client a reasonable fee proportionate to the part of the Services performed to the date of termination.

6. INTELLECTUAL PROPERTY RIGHTS

- 6.1. All Intellectual Property Rights in or arising out of or in connection with the Services including the Intellectual Property Rights in Materials shall be owned by JLL unless otherwise expressly agreed in writing.
- 6.2. Subject to clause 3.6 the Client, its employees, agents and subcontractors has a non-exclusive right to use any material provided by JLL for the purposes for which it is supplied or prepared. No third party has any right to use any such materials without the specific consent of the owner. The licence granted by JLL shall be perpetual but is subject to JLL having received all fees in full.

7. CONFIDENTIALITY

A Party (**receiving party**) shall keep in strict confidence all technical or commercial know-how, processes or initiatives which are of a confidential nature and have been disclosed to the receiving party by the other Party (**disclosing party**), its employees, agents or subcontractors, and any other confidential information concerning the disclosing party's business, its products and services which the receiving party may obtain. The receiving party shall only disclose such confidential information to those of its employees, agents and subcontractors who need to know it for the purpose of discharging the receiving party's obligations under the Agreement, and shall ensure that such employees, agents and subcontractors comply with the obligations set out in this clause as though they were a party to the Agreement. The receiving party may also disclose such of the disclosing party's confidential information as is required to be disclosed by law, any governmental or regulatory authority or by a court of competent jurisdiction, or with the consent of the disclosing party. This clause 7 shall survive termination of the Agreement.

8. LIABILITY

- 8.1. Save in respect of JLL's liability for death or personal injury caused by its negligence, or the negligence of its employees, agents or subcontractors or for fraud or fraudulent misrepresentation or a breach of clause 7 (which is not excluded or limited in any way):
- a) JLL shall under no circumstances whatsoever be liable, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising out of or in connection with the Agreement and/or the Services; and
 - b) JLL's total liability in respect of all losses arising out of or in connection with the Agreement and/or the Services, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed £50 million.
- 8.2. JLL shall have no liability for the consequences, including delay in or failure to provide the Services:

- a) due to any failure by the Client or any representative or agent of the Client to provide information or other material that JLL reasonably requires promptly, or where that information or material provided is inaccurate or incomplete;
- b) to the extent that the Client or someone on the Client's behalf for whom JLL is not responsible is responsible, and where JLL is one of the parties liable in conjunction with others, JLL's liability shall be limited to the share of loss reasonably attributable to JLL on the assumption that all other parties pay the share of loss attributable to them (whether or not they do); or
- c) due to any failure by the Client or any representative or agent of the Client to follow JLL's advice or recommendations.

8.3. JLL owes no duty of care and has no liability to anyone but the Client unless specifically agreed in writing by JLL.

8.4. This clause 8 shall survive termination of the Agreement.

9. TERMINATION

9.1. Without limiting its other rights or remedies, either Party may terminate the Agreement by giving the other Party two calendar months' written notice.

9.2. Without limiting its other rights or remedies, either Party may terminate the Agreement with immediate effect by giving written notice to the other Party if:

- a) the other Party commits a material breach of the Agreement and (if such a breach is remediable) fails to remedy that breach within 14 days of that Party being notified in writing to do so;
- b) a conflict of interest arises which pursuant to any relevant professional code of conduct prevents JLL continuing to act for the Client; or
- c) the other Party becomes Insolvent.

9.3. Without limiting its other rights or remedies, JLL may suspend provision of the Services under the Agreement or any other contract between the Client and JLL if the Client becomes Insolvent, or JLL reasonably believes that the Client is about to become Insolvent, or if the Client fails to pay any amount due under the Agreement on the due date for payment.

9.4. On termination of the Agreement for any reason:

- a) the Client shall immediately pay to JLL all of JLL's outstanding unpaid invoices and interest and, in respect of Services supplied but for which no invoice has been submitted and associated expenses, JLL shall submit an invoice, which shall be payable by the Client immediately on receipt;
- b) the Client shall return any Materials which have not been fully paid for. Until they have been returned, the Client shall be solely responsible for their safe keeping and will not use them for any purpose not connected with the Agreement. Where all fees have been paid the Client shall be entitled to retain such Materials and they shall be licensed in accordance with clause 6.2;
- c) JLL may, to comply with legal, regulatory or professional requirements, keep one copy of all material it then has that was supplied by or on behalf of the Client in relation to the Services;
- d) the accrued rights, remedies, obligations and liabilities of the Parties as at expiry or termination shall be unaffected, including the right to claim damages in respect of any breach of the Agreement which existed at or before the date of termination or expiry; and
- e) clauses which expressly or by implication survive termination shall continue in full force and effect.

9.5. JLL may destroy any papers it has after six years from the earlier of completion of the Services or termination of the Agreement.

10. DATA PROTECTION

- 10.1. In order for JLL to provide the Services, JLL may need to record and maintain in hard copy and/or in electronic form, information regarding the Client, its officers and any other individuals connected with the Client (collectively "Data Subjects"). It may also verify the identity of Data Subjects including carrying out checks with third parties such as credit reference agencies.
- 10.2. JLL may use all information that it holds regarding Data Subjects for the purposes of providing the Services in accordance with the Agreement and may also use and share it with third parties for the other purposes as described in our Privacy Statement available at www.joneslanglasalle.co.uk.
- 10.3. If any Data Subject wishes to exercise its rights under applicable local law to access personal data held about it by JLL, it should contact the data protection compliance officer in writing stating what personal information it wishes to access.

11. FORCE MAJEURE

- 11.1. JLL shall not be liable to the Client as a result of any delay or failure to perform its obligations under the Agreement as a result of a Force Majeure Event.
- 11.2. If the Force Majeure Event prevents JLL from providing any of the Services for more than four weeks, JLL shall, without limiting its other rights or remedies, have the right to terminate the Agreement immediately by giving written notice to the Client.

12. GENERAL

12.1. Assignment and Other Dealings.

The Client shall not, without the prior written consent of JLL (such consent not to be unreasonably withheld or delayed), assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any or all of its rights or obligations under the Agreement.

12.2. Notices.

- a) Any notice or other communication, including the service of any proceedings or other documents in any legal action given to a Party under or in connection with the Agreement shall be in writing, addressed to that Party at its registered office (if it is a company) or its principal place of business (in any other case) or such other address as that Party may have specified to the other Party in writing in accordance with this clause, and shall be delivered personally, sent by pre-paid first class post or commercial courier. Any notice or other communication sent to a Party located in a different country to the sending Party must be sent by commercial courier.
- b) A notice or other communication shall be deemed to have been received: if delivered personally, when left at the address referred to in clause 12.2.a); if sent by pre-paid first class post at 9.00 am on the second Business Day after posting; or if sent by commercial courier, on the date and at the time that the courier's delivery receipt is signed.

12.3. Severance.

- a) If any provision or part-provision of the Agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of the Agreement.
- b) If any provision or part-provision of the Agreement is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended commercial result of the original provision.

12.4. **Waiver.** A waiver of any right under the Agreement or law is only effective if it is in writing and shall not be deemed to be a waiver of any subsequent breach or default. No failure or delay by a Party in exercising any right or remedy provided under the Agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict its further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall prevent or restrict the further exercise of that or any other right or remedy.

12.5. **No Partnership or Agency.** Nothing in the Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, nor constitute either Party the agent of the other for any purpose. Neither Party shall have authority to act as agent for, or to bind, the other Party in any way.

- 12.6. **Third parties.** A person who is not a Party to the Agreement shall not have any rights to enforce its terms unless specifically agreed in writing.
- 12.7. **Variation.** Except as set out in these Terms, no variation of the Agreement, including the introduction of any additional terms and conditions, shall be effective unless it is agreed in writing and signed by both parties.
- 12.8. **Protection of Employees.** Save in respect of fraud or criminal conduct no employee of JLL or any Affiliate has any personal liability to the Client nor to anyone representing the Client. Neither the Client nor anyone representing the Client may make a claim or bring proceedings against an employee or former employee personally.
- 12.9. **Complaints.** Before taking any other action against JLL the Client agrees to use JLL's complaints procedure, which is available on request.
- 12.10. **Publicity.** Neither Party may publicise or issue any specific information to the media about the Services or the Agreement's subject matter without the consent of the other.
- 12.11. **Criminal Activity.** The Client acknowledges that to comply with law and professional rules on suspected criminal activity JLL is required to check the identity of Clients. JLL is also required by law to report to the appropriate authorities any knowledge or suspicion that a Client's funds (or any funds provided for or on behalf of a client) derive from the proceeds of crime and may be unable to tell the Client that it has done this.
- 12.12. **Regulated Activity.** JLL is not permitted to carry out any activity regulated by the Financial Services and Markets Act 2000 including the insurance of property, except through an authorised person and in accordance with a separate agreement. Unless JLL specifically agrees otherwise in writing, no communication by JLL is intended to be, or should be construed as, an invitation or inducement to any person to engage in investment activity for the purposes of the Financial Services and Markets Act 2000, or as the approval of any communication of any such invitation or inducement.
- 12.13. **Anti-bribery.** Both parties shall comply with all applicable laws, statutes, regulations, relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010.
- 12.14. **Governing Law.** The Agreement and any disputes arising from it (including non-contractual claims and disputes) are governed by English Law.
- 12.15. **Jurisdiction.** Each party irrevocably agrees, for the sole benefit of JLL that, subject as provided below, the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims). Nothing in this clause shall limit the right of JLL to take proceedings against the Client in any other court of competent jurisdiction, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdictions, whether concurrently or not, to the extent permitted by the law of such other jurisdiction.
- 12.16. **Language.** These Terms are provided in English and JLL will communicate with the Client in English.

General Principles

Adopted in the preparation of Valuations and Reports

These General Principles should be read in conjunction with JLL's General Terms and Conditions of Business except insofar as this may be in conflict with other contractual arrangements.

1 RICS Valuation - Global Standards 2017

All work is carried out in accordance with the Professional Standards, Valuation Technical and Performance Standards and Valuation Applications contained in the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Global Standards 2017 – UK national supplement as applicable (“the RICS Red Book”), by valuers who conform to the requirements thereof. Our valuations may be subject to monitoring by the RICS. The valuations are undertaken by currently Registered RICS Valuers.

2 Valuation Basis:

Our reports state the purpose of the valuation and, unless otherwise noted, the basis of valuation is as defined in “the RICS Red Book”. The full definition of the basis, which we have adopted, is set out in our report and appended to these General Principles.

3 Assumptions and Special Assumptions:

Where we make an ‘assumption’ or ‘special assumption’ in arriving at our valuations, we define these terms in accordance with “the RICS Red Book” as follows:

Assumption: A supposition taken to be true.

Special Assumption: An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date.

We will not take steps to verify any assumptions.

4 Disposal Costs Taxation and Other Liabilities:

No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or other charges, which may be secured thereon. However, we take into account purchaser’s costs in investment valuations in accordance with market conventions.

No allowance is made for the possible impact of potential legislation which is under consideration.

Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

5 Sources of Information:

Where we have been provided with information by the client, or its agents, we assume that it is correct and complete and is up to date and can be relied upon. We assume that no information that has a material effect on our valuations has been withheld.

In respect of valuations for loan security purposes, commissioned by a lending institution, we may also rely on information provided to us by the Borrower or its advisors. In such cases, we have similarly assumed that all information is correct, complete, up-to-date and can be relied upon and that no pertinent information has been withheld.

6 Title and Tenancy Information:

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoing of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers. We have assumed that all information provided by the client, or its agents, is correct, up to date and can be relied upon.

7 Tenants:

Although we reflect our general understanding of a tenant's status in our valuations i.e. the market's general perception of their creditworthiness, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

8 Measurements/Floor Areas:

All measurement is carried out in accordance with either the International Property Measurement Standards (IPMS) or the Code of Measuring Practice (6th Edition) issued by the Royal Institution of Chartered Surveyors, except where we specifically state that we have relied on another source. The areas adopted are purely for the purpose of assisting us in forming an opinion of capital value. They should not be relied upon for other purposes nor used by other parties without our written authorisation.

Where floor areas have been provided to us, we have relied upon these and have assumed that they have been properly measured in accordance with the International Property Measurement Standards (IPMS) or the Code of Measuring Practice referred to above.

9 Site Areas:

Site areas are generally calculated using proprietary digital mapping software and are based on the site boundaries indicated to us either at the time of our inspection, or on plans supplied to us. No responsibility is accepted if the wrong boundaries are indicated to us.

10 Estimated Rental Values:

Our assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in "the RICS Red Book". Where circumstances dictate that it is necessary to utilise a different rental value in our capital valuation, we will generally set out the reasons for this in our report. Such a figure does not necessarily represent the amount that might be agreed by negotiation, or determined by an Expert, Arbitrator or Court, at rent review or lease renewal or the figure that might be obtained if the property or unit were being let on the open market.

11 Town Planning, Acts of Parliament and Other Statutory Regulations:

Information on town planning is, wherever possible, obtained either verbally from local planning authority officers or publicly available electronic or other sources. It is obtained purely to assist us in forming an opinion of capital value and should not be relied upon for other purposes. If reliance is required we recommend that verification be obtained from lawyers that:

- i the position is correctly stated in our report;
- ii the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities; and
- iii that there are no outstanding statutory notices.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including fire regulations, access and use by disabled persons, control and remedial measures for asbestos in the workplace, the Energy Performance of Buildings Directive and any applicable bye laws. All buildings are assumed to have Energy Performance Certificates.

Our valuation does not take into account any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act 1972, or the Health and Safety at Work etc. Act 1974.

12 Structural Surveys:

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we, therefore, do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention. Otherwise, we assume that each building is structurally sound and that there are no structural, latent or other material defects. Unless stated otherwise in our reports we assume any tenants are fully responsible for the repair of their demise either directly or through a service charge.

13 Deleterious Materials:

We do not normally carry out or commission investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

14 Site Conditions:

We do not normally carry out or commission investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses, delays or restrictions will be incurred during the construction period due to these matters.

15 Environmental Contamination:

Unless expressly instructed, we do not carry out or commission site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

16 Insurance:

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms. In particular, we will have regard to the following:

Composite Panels

Insurance cover, for buildings incorporating certain types of composite panel may only be available subject to limitation, for additional premium, or unavailable. Information as to the type of panel used is not normally available. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms.

Terrorism

Our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism as defined by the Terrorism Act 2000. We have assumed that the insurer, with whom cover has been placed, is reinsured by the Government backed insurer, Pool Reinsurance Company Limited.

Flood and Rising Water Table

Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table. Unless stated to the contrary our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms.

17 Outstanding Debts:

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

18 Confidentiality and Third Party Liability:

Our Valuations and Reports are confidential to the party to whom they are addressed and for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

19 Statement of Valuation Approach:

We are required to make a statement of our valuation approach. The following provides a generic summary of our approach.

The majority of institutional portfolios comprise income producing properties. We usually value such properties adopting the investment approach where we apply a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice we construct our valuations adopting hardcore methodology where the reversions are generated from regular short term uplifts of market rent. We would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Where land is held for development we adopt the comparison method when there is good evidence, and/or the residual method, particularly on more complex and bespoke proposals.

There are situations in valuations for accounts where we include in our valuation properties which are owner-occupied. These are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

20 Capital Expenditure Requirement:

Where buildings are undergoing works, such as refurbishment or repairs, or where developments are in progress, we have relied upon cost information supplied to us by the client or their appointed specialist advisors.

21 Goodwill, Fixtures and Fittings:

Unless otherwise stated our valuation excludes any additional value attributable to goodwill, or to fixtures and fittings which are only of value, in situ, to the present occupier.

22 Plant and Machinery:

No allowance has been made for any plant, machinery or equipment unless it forms an integral part of the building and would normally be included in a sale of the building.

23 Services:

We do not normally carry out or commission investigations into the capacity or condition of services. Therefore we assume that the services, and any associated controls or software, are in working order and free from defect. We also assume that the services are of sufficient capacity to meet current and future needs.

24 Land and Building Apportionments:

When instructed, we will provide apportionments between land and buildings for depreciation purposes only. Such apportionments are not valuations and should not be used for any other purpose unless specified in the report.

25 Portfolio Valuations:

In respect of valuations of portfolios of properties, our overall valuation is an aggregate of the individual values of each individual property. The valuation assumes, therefore, that each property would be marketed as an individual property and not as part of a portfolio. Consequently no portfolio premium or discount has been reflected and any consequence of marketing a range of individual properties together has also not been reflected in our valuations. However, if adjoining or complementary properties might achieve a higher value by being marketed together (known as “prudent lotting”), we have reported the higher value that would emerge.

26 Rating:

Any information regarding rating has generally been obtained from the Valuation Office website. We will not investigate whether any rating assessment is a fair assessment or considered the likelihood of an appeal being successful.

27 Plans and Maps:

All plans and maps included in our report are strictly for identification purposes only, and, whilst believed to be correct, are not guaranteed and must not form part of any contract. All are published under licence and may include mapping data from Ordnance Survey © Crown Copyright. All rights are reserved.

Fair Value

As of 1 July 2017 there are two definitions for Fair Value.

In the case of the UK, and also the Republic of Ireland, company law recognises two financial reporting frameworks:

- a. IFRS and
- b. UK and Ireland Generally Accepted Accounting Practice (UK GAAP).

The International Financial Reporting Standards (IFRS) are set by the International Accounting Standards Board (IASB) with the objective of achieving uniformity in accounting principles. The standards are developed within a conceptual framework so that elements of financial statements are identified and treated in a manner that is universally acceptable.

The Financial Reporting Council (FRC) is the body having statutory responsibility for issuing the relevant accounting standards under UK GAAP – these are designated Financial Reporting Standards (FRSs).

While fair value for financial reporting, whether under IFRS or under UK GAAP, is defined using slightly different language from that in the IVS market value definition, the underlying concept is essentially the same. In most cases the figure to be reported as the fair value of an asset is also that which would be reported as its market value.

Set out below are the definitions and interpretive commentary for both versions.

Definition and Interpretive Commentary reproduced from the RICS Valuation – Global Standards 2017, VPS 4 and IVS Framework in accordance with IFRS 13

VPS 4

1.1 Fair Value

1.1.1 The definition of Fair Value adopted by the International Accounting Standards Board (IASB) in IFRS 13 is:

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

1.1.2 The guidance in IFRS 13 includes an overview of the fair value measurement approach.

1.1.3 The objective of a *fair value* measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. It is thus sometimes described as a ‘mark to market’ approach. Indeed the references in IFRS 13 to market participants and a sale make it clear that for most practical purposes the concept of *fair value* is consistent with that of *market value*, and so there would ordinarily be no difference between them in terms of the valuation figure reported.

1.1.4 A *fair value* measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- the principal (or most advantageous) market for the asset or liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

1.1.5 Valuers undertaking *valuations* for inclusion in *financial statements* should familiarise themselves with the relevant requirements – see also VPGA 1.

Definition and Interpretive Commentary reproduced from Financial Reporting Council FRS 102 and the RICS Valuation – Global Standards 2017 – UK national supplement, UK VPGA 1.3 Fair Value

FRS 102

1.2 Fair Value

1.2.1 The definition of Fair Value adopted by the Financial Reporting Council in FRS 102 section 2 paragraph 34 (b) is:

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

UK VPGA 1.1 Overview

Valuation for financial reporting: general matters – UK Generally Accepted Accounting Practice (UK GAAP)

- 3 UK GAAP applies in the UK and the Republic of Ireland and does so in relation to *financial statements*, including any valuations that support them, in accordance with the Financial Reporting Standards issued by the Financial Reporting Council (FRC).
- 4 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*
 - this introduces a single standard that seeks consistency with, but is not necessarily the same as, IFRS.

UK VPGA 1.3 Fair value

- 3 FRS 102 section 17 paragraph 15C specifies that in the case of land and buildings, fair value is usually determined from 'market-based evidence by appraisal that is normally undertaken by professionally qualified valuers'. Similarly, for items of plant and equipment fair value is usually their 'market value determined by appraisal'. Paragraph 15D provides that if there is no market-based evidence of fair value because of the specialised nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an entity 'may need to estimate fair value using an income or a *depreciated replacement cost approach*'.

Appendix 3
Individual Property Summaries



Earls Court Partnership Limited : Earls Court, London - DRAFT

Property ref	Address	Description	Tenure and Tenancies	Considerations	Market Value
1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]
2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]
3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]
4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]

Property ref	Address	Description	Tenure and Tenancies	Considerations	Market Value
5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]
6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]
7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	£ [REDACTED]

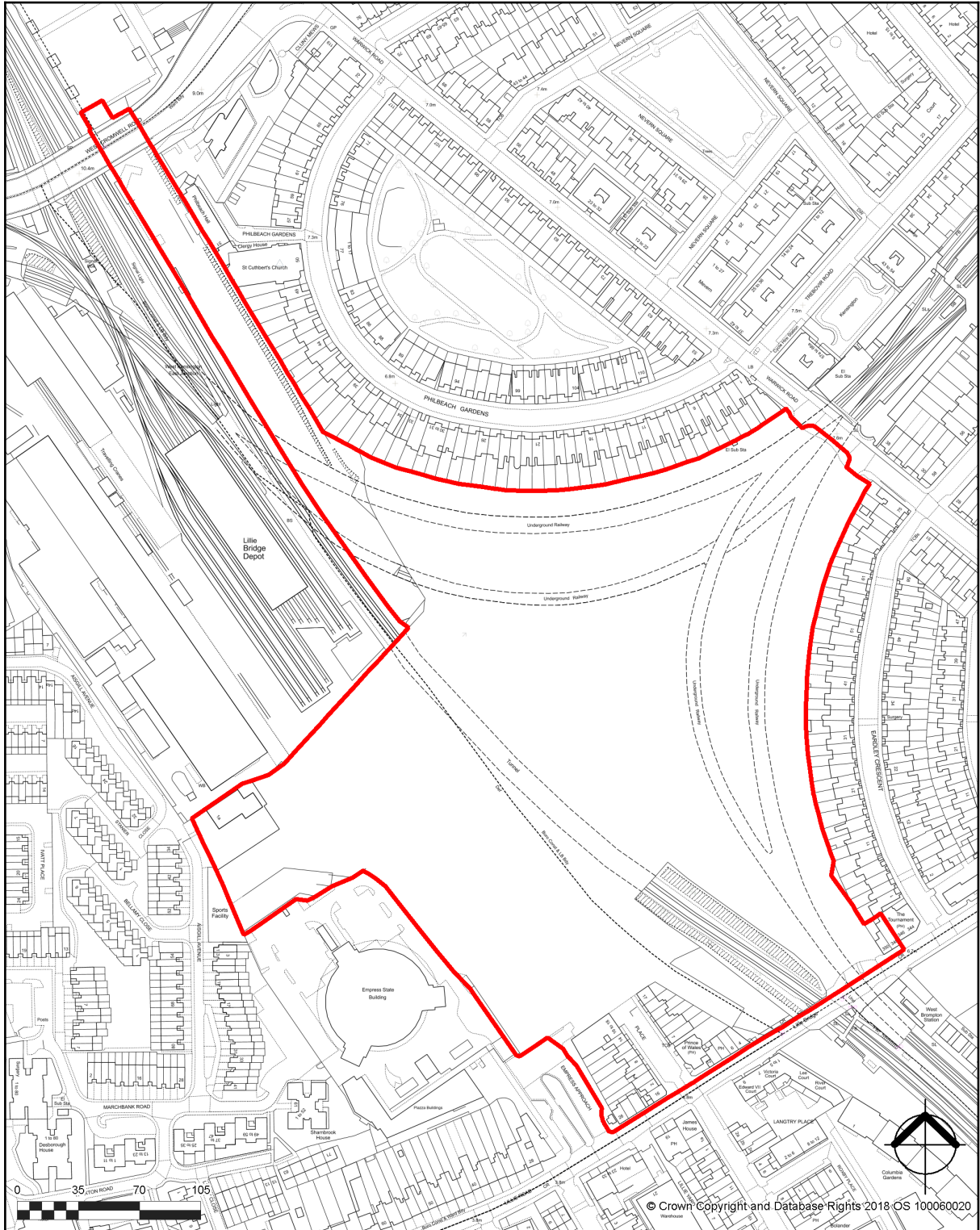
£ [REDACTED]

Transport for London Share 37%
Capital and Counties Share 63%

[REDACTED]
[REDACTED]

Appendix 4
Site Plans

Earls Court Development Site

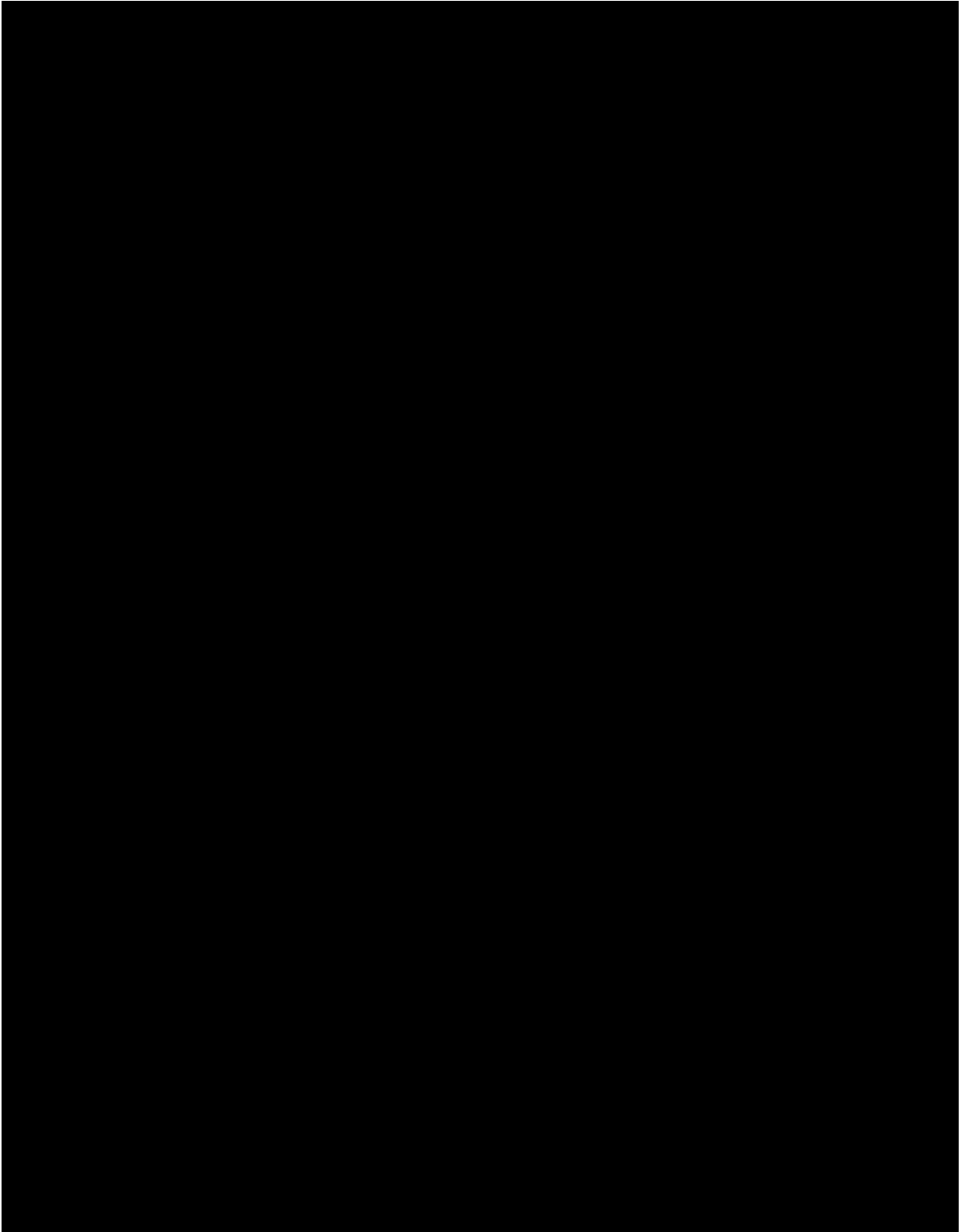


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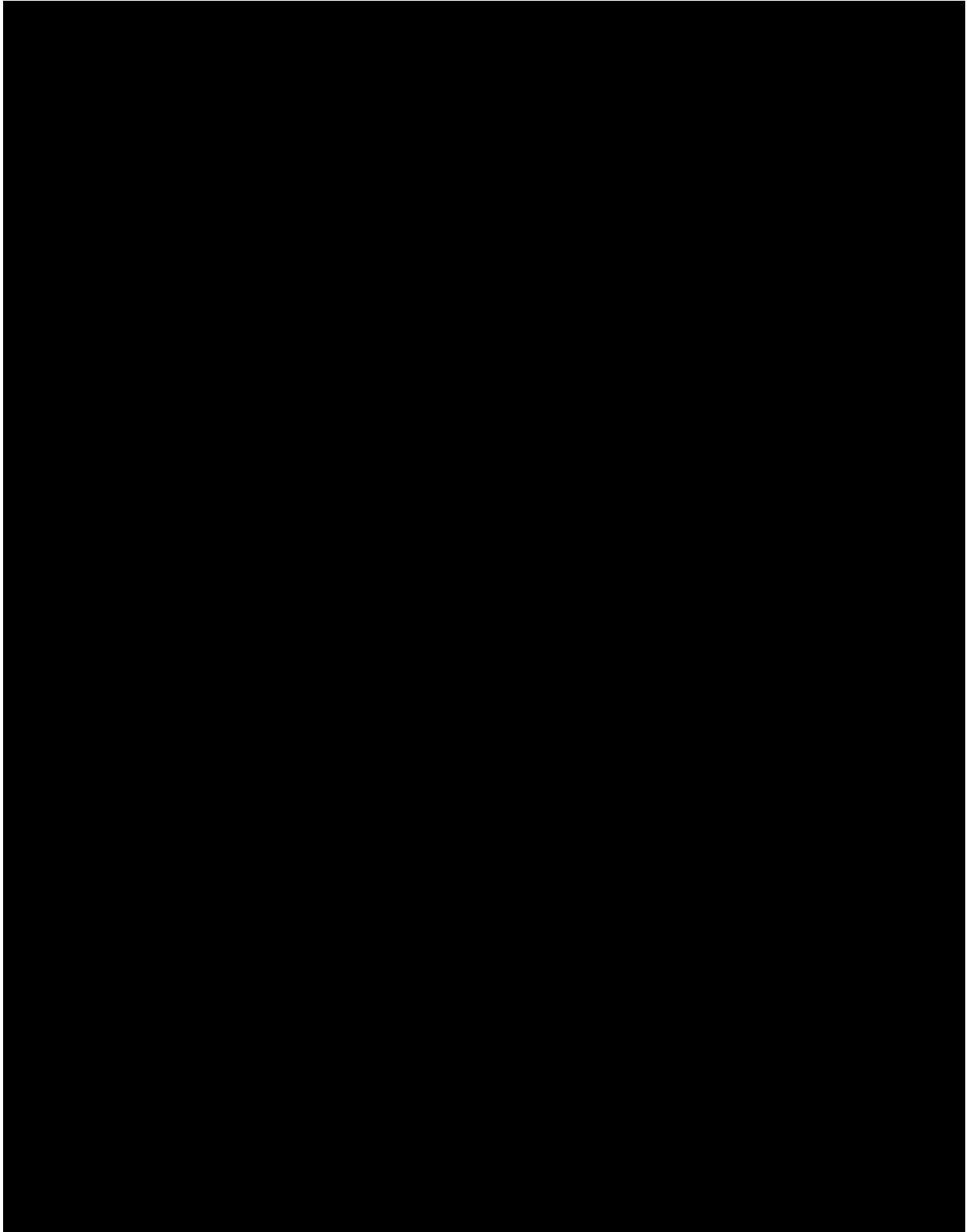
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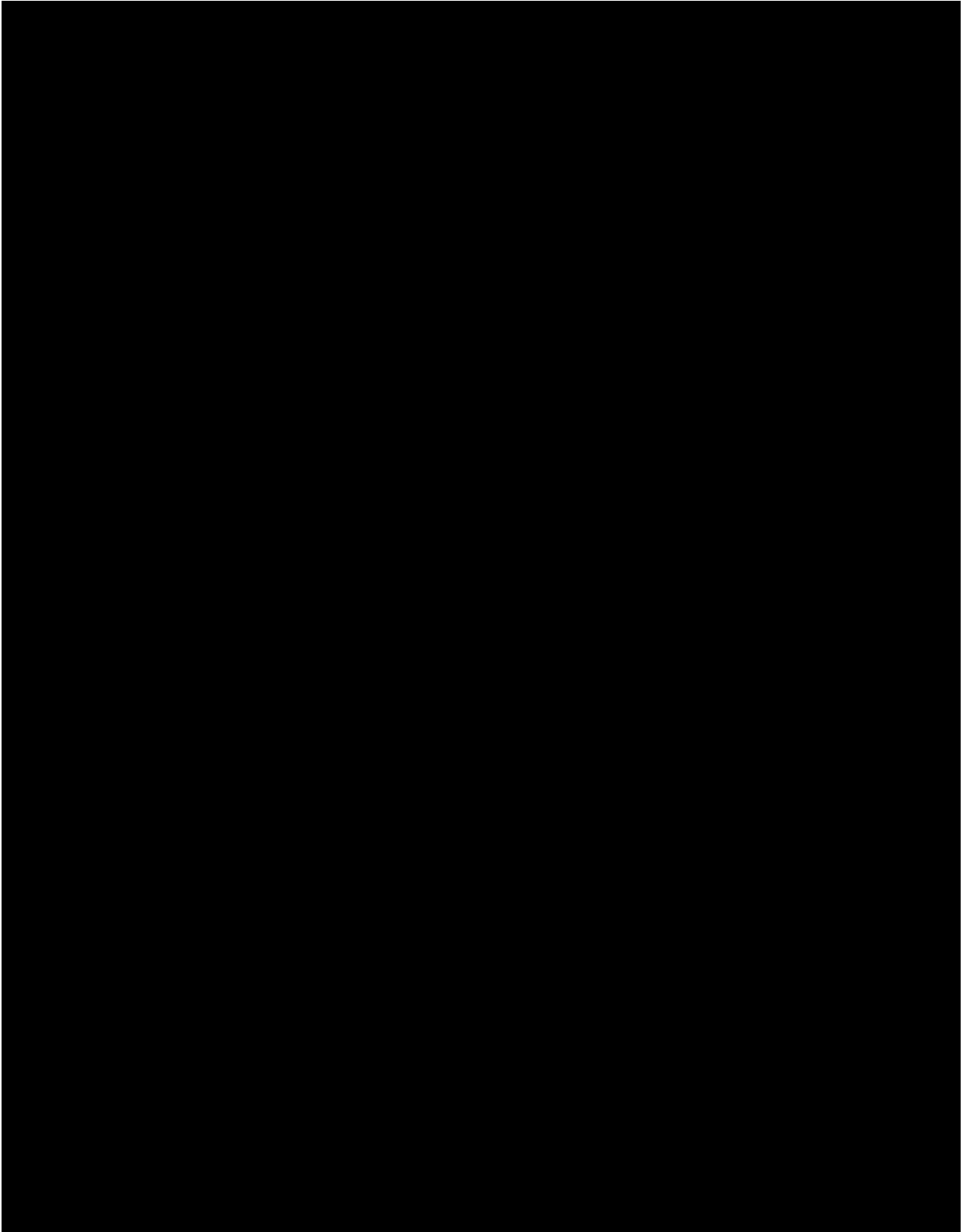
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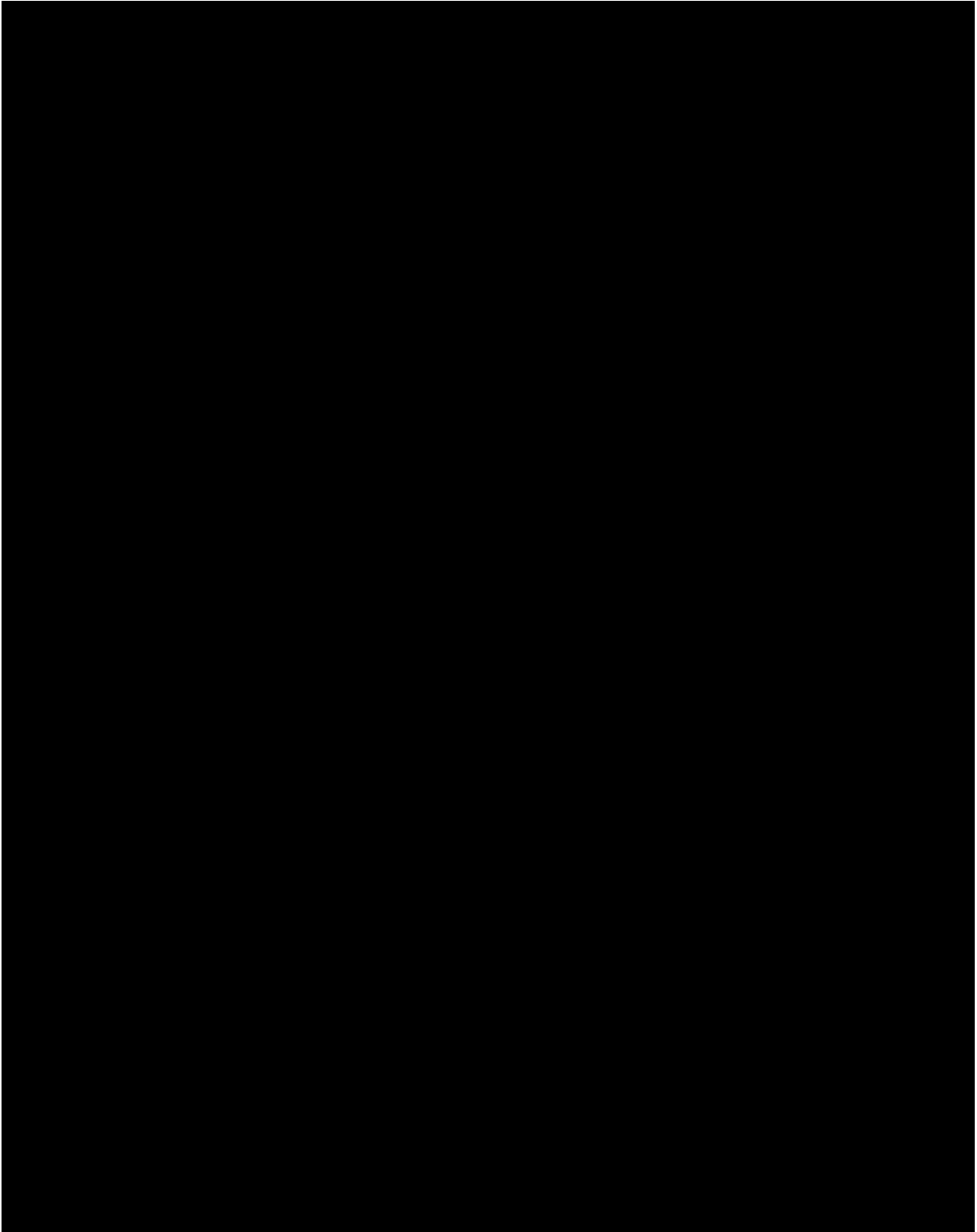
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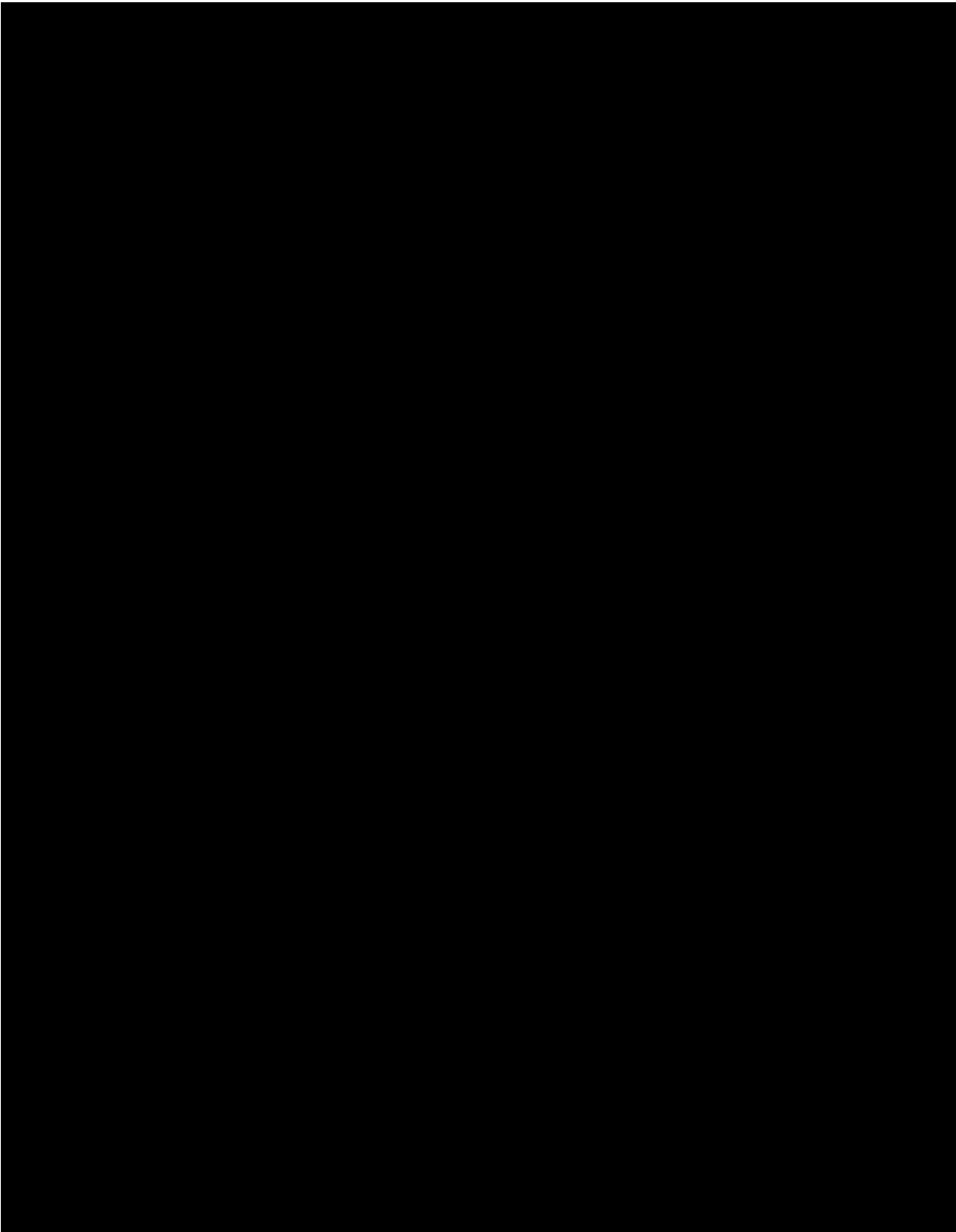
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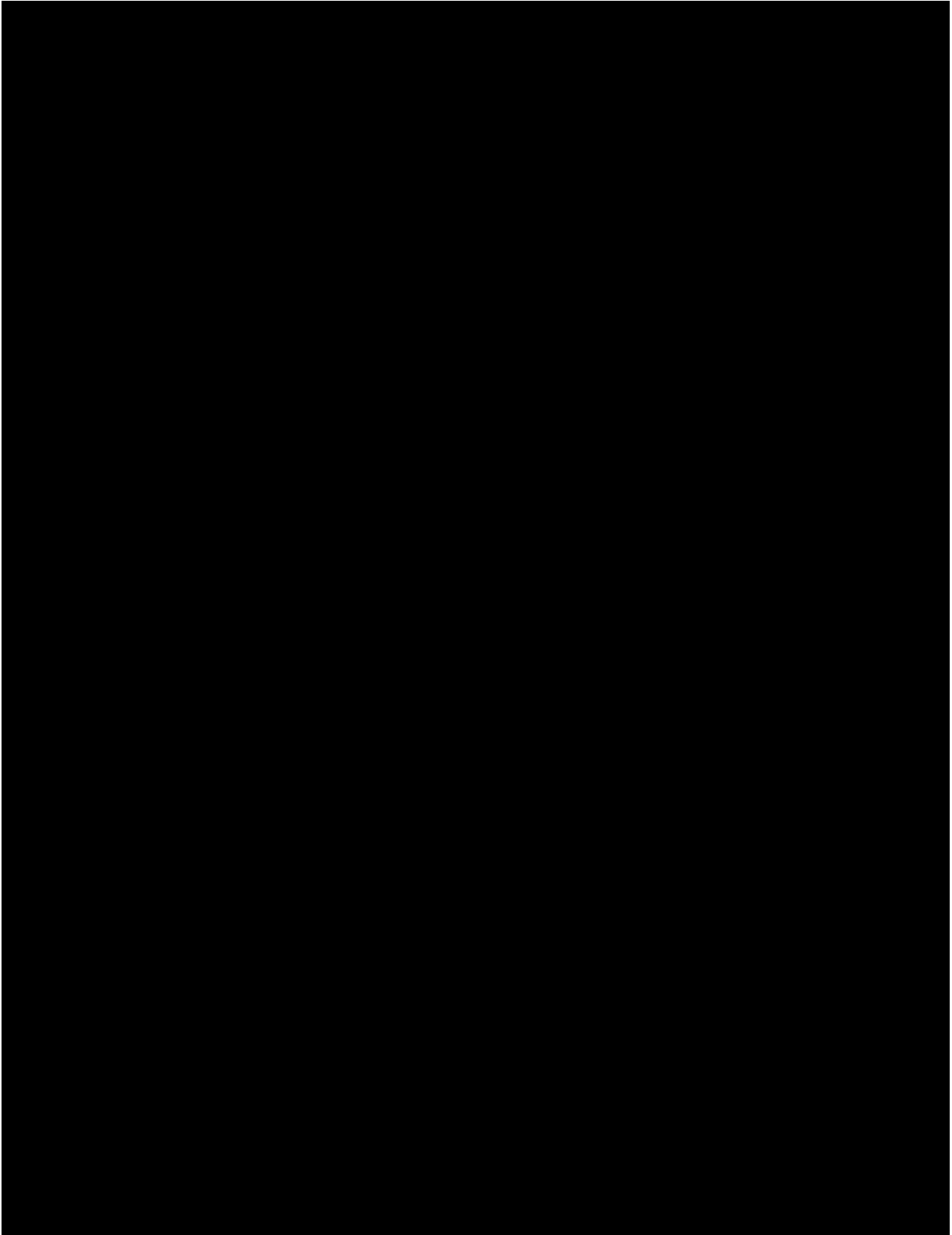
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Appendix 5
UK Economic and Property Market Commentary

Capital Markets Research

Monthly Property & Economic Commentary

1 Summary

Property

- All-property 12-month total returns slow to 6.3% in February
- IPD annual release tells similar story
- Corporate disposals in Europe at record levels

Economy

- Services PMI fell into contractionary territory in March
- Brexit concerns add to retail challenges

Table 1 - JLL Annual Forecast: IPD UK (%)

	2019	2020	2021
Total returns			
All Property	3.4	3.7	3.8
Office	4.2	4.5	4.4
Retail	-0.1	1.3	2.2
Industrial	7.9	7.7	6.4
Capital growth			
All Property	-0.9	-0.7	-0.7
Office	0.3	0.5	0.4
Retail	-4.7	-3.6	-2.8
Industrial	3.5	3.4	2.1

Source: JLL

2 Property Market

All-property 12-month total returns slow to 6.3% in February

All-property total returns fell to a 20-month low of 6.3% in the 12 months to February, down from 6.9% in the 12 months to January, and from 11.3% a year previously. Across the three major sectors, returns remain polarized – industrial continues to outperform (16.1%), with office (6.7%) offering more moderate returns and retail returns (-1.9%) remaining negative for the third month.

Capital value growth has been the main driver of the downward trend in returns over recent months, falling sharply from a recent peak of 5.6% in the 12 months to March 2018 to 1.0% in the 12 months to February 2019. This trend is most pronounced within the retail sector, where capital value growth has fallen to -7.4%, the lowest since the end of the financial crisis.

Rental value growth was broadly stable at 0.5% in the 12 months to February 2019, but down from 1.9% in the equivalent period a year ago. However, in the same period office rental growth has increased from 1.4% to 1.9%. In the retail sector rental growth is negative, at -3.2%, while the industrial sector has seen positive rental growth of 3.9% in the 12 months to February.

Table 2 – IPD UK Monthly Index, February 2019

	Income return	Capital value growth	Rental growth	Total returns
All Property	0.4	-0.3	0.0	0.1
Office	0.4	-0.1	0.3	0.3
Retail	0.5	-1.1	-0.3	-0.6
Industrial	0.4	0.2	0.2	0.6

Source: IPD

IPD annual release tells similar story

The recently released IPD annual index for 2018 tells a similar story of slowing growth and significant disparity between sectors. All-property total returns were 5.1% in 2018, down from 9.6% in 2017. The polarization between the sectors continued. Industrial again outperformed with total returns of 16.4%, while offices offered solid returns of 5.8%. Total returns in the retail sector were negative in 2018 at -1.7%, the first year of negative returns for any sector since 2008.

Capital value growth was also more modest across the board in 2018. All-property capital value growth remained marginally positive at 0.6% but was comfortably down on 2017 which saw growth of 4.7%. The industrial sector achieved capital value growth of 11.45%, down from 14.4% in 2017, while growth of 1.8% in the office sector was down from 3.7% in 2017. Retail capital value growth was -6.2%, down from 1.4% in 2017.

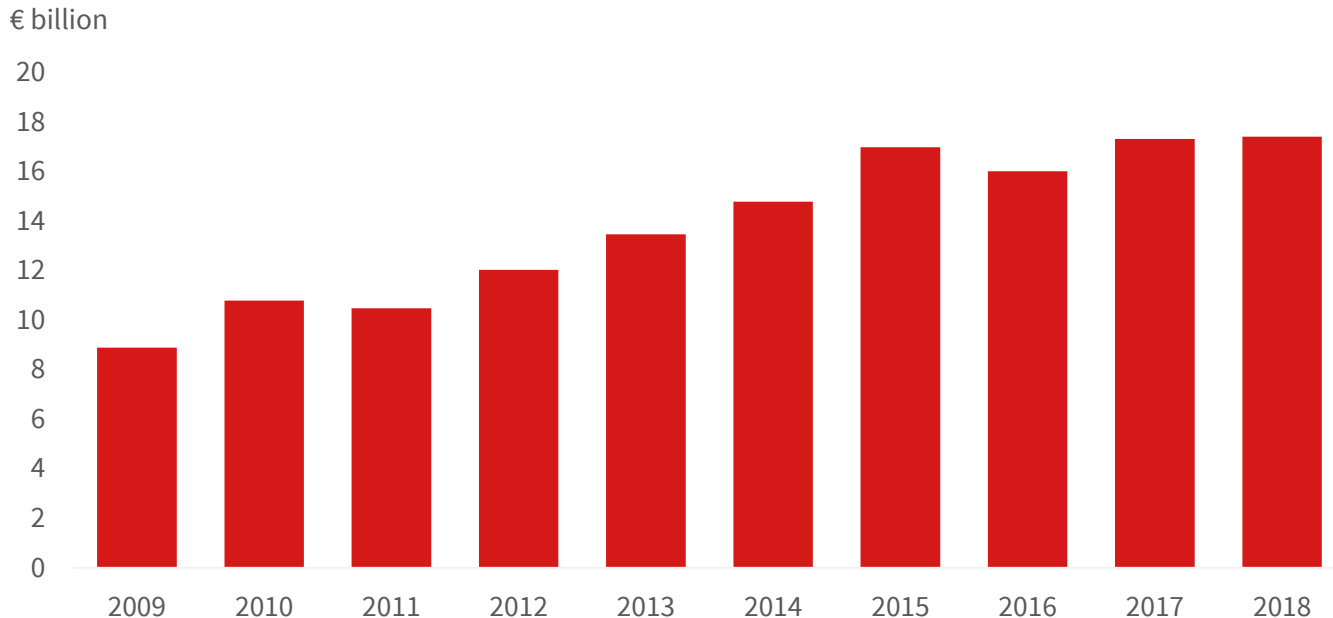
Corporate disposals in Europe at record levels

Disposals of corporate real estate in Europe raised a record €17.4 bn in 2018. Across the continent, more than 420 transactions took place. Last year was also the fourth consecutive year in which the total value of corporate disposals exceeded €16 bn.

While conditions specific to individual corporates, and the industries in which they operate are key reasons for sales, the high volumes of recent activity are also being driven by:

- **Lease accounting changes** implemented in the 2019 financial year, which have driven the timing of deals both pre and post the changes.
- **High levels of investment into the wider real estate market** and rising asset values – which has made property disposals more attractive to corporates across all major markets and sectors.
- **Low interest rates and the low cost of capital environment** for corporates with investment grade credit ratings – adding a cost-effective route to raise capital and fund new facilities.
- **A greater range of leaseback structures** supported by a wider range of counter-parties, such as income strips and credit tenant leases – providing alternatives to ‘traditional’ sale and leasebacks.
- **The evolution of workplace trends** towards greater flexibility, which supports leasing in preference to ownership for generic properties. Pressure from analysts and shareholders to unlock capital to invest in core business is adding further impetus.
- **The emergence of specialist landlords** – enabling more complex assets to be considered for sale, such as research and manufacturing facilities.
- **Forex benefits** for corporates accounting in £ from selling € or \$ denominated assets.

Chart 1 – Value of corporate disposals, Europe, 2009-2018



Access the full *Raising Capital from Corporate Real Estate* report [here](#).

3 Economy

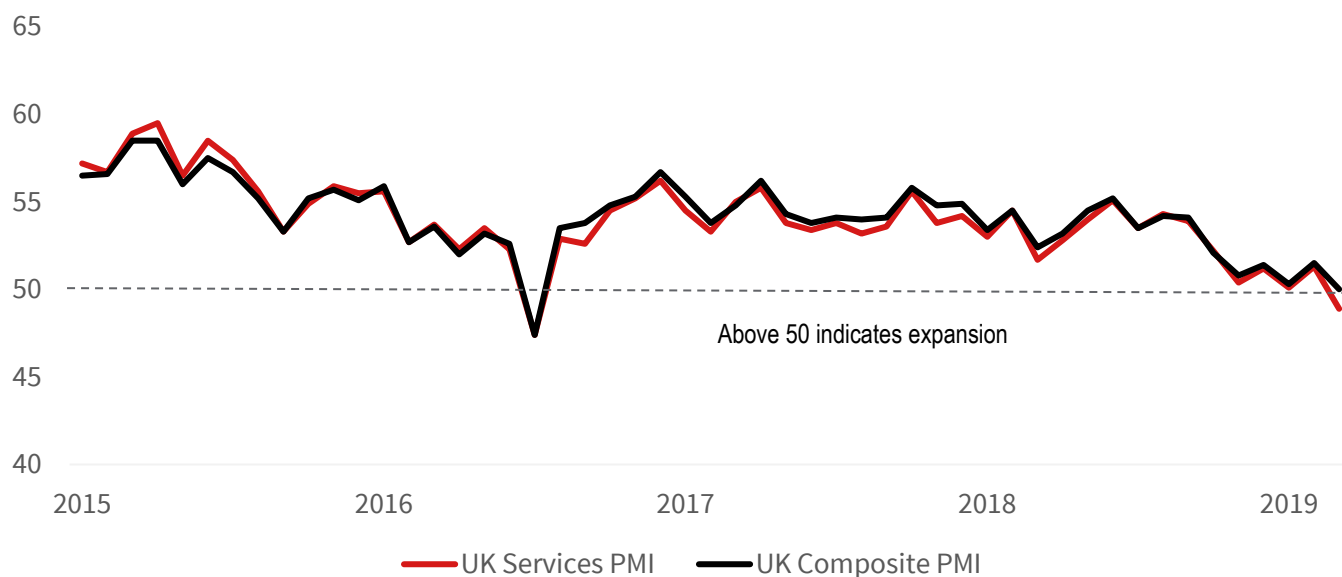
Services PMI fell into contractionary territory in March

The services PMI slipped into contractionary territory in March, the first time that it has been below the critical '50' level which indicates expansion since July 2016. This completed a poor Q1 for the CIPS surveys, with the composite PMI having seen its weakest quarter since Q4 2016. However, we suspect that this overstates the weakness of the economy, partly because the surveys have a history of undershooting at times of heightened uncertainty and partly because sectors not covered by the CIPS surveys have performed better in Q1.

The CIPS services survey reported a drop in the headline PMI from 51.3 in February to 48.9 in March. This was the first reading in contractionary territory since July 2016. The detail of the survey was more mixed – on the downside, new orders fell for a third successive month and backlogs continued to decline, but the balances for employment and business expectations were up slightly on the weak readings of recent months.

This completed a mixed bag of CIPS surveys for March, with the manufacturing balance surging (largely due to stockpiling) but construction remaining in contractionary territory. The large weight of the services sector meant that it dragged the composite PMI down to 50.0, a balance consistent with the economy stagnating and the lowest outturn since July 2016. This also meant that Q1 as a whole was the weakest quarter since Q4 2012.

Chart 2 – UK Services & Composite PMI, 2015 – 2019



Brexit concerns add to retail challenges

The continued uncertainty around Brexit is undoubtedly weighing on the retail sector. The BRC reported that February's footfall fell by 2%, the largest drop in five years, and the 15th consecutive monthly fall. While this is a continuation of a long-term trend, the ongoing Brexit turmoil appears to be driving a 'needs-not-wants' approach to shopping, despite consumers benefitting from real income growth over the past year. Retailers also face the prospect of Brexit-related export challenges; currently 80% of the UK's luxury goods are exported abroad, with the EU being the single largest market. However, under a no-deal Brexit the sector could face a £6.8bn short-fall in exports, according to official sector body, Walpole. Over the next few weeks, more clarity will hopefully emerge - for consumers and retailers alike, that time cannot come soon enough.

Table 3 – UK economic forecasts

	2019	2020	2021
GDP	1.4	1.9	2.1
Retail Sales Index (volumes)	2.7	2.4	2.5
Inflation (CPI)	1.8	1.7	1.6
Bank of England Base Rate	1.0	1.25	1.75
10-year Gilt Yield	1.6	2.0	2.3

Source: Oxford Economics

Table 4 – Current Economic Indicators

Retail Sales (Y-o-Y):	0.5%	▼	Consumer Confidence:	-13	◀▶	Unemployment:	3.9%	▼
Inflation (CPI):	1.9%	▼	UK 10-year gilt yield	1.0%	▼	BoE base rate	0.75%	◀▶

Source: BRC, ONS, GfK NOP, Refinitiv. Note: Arrows indicate movement on last month. *Retail sales on total basis in March 2019 are BRC, Consumer confidence March 2019, Inflation February 2019; Unemployment rate is the ILO figure from November 2018 - January 2019.

Links to other research publications

[UK Capital Markets Blog](#) – The latest insight and opinions on the commercial property investment market.

[UK Research](#): All the latest UK research on the office, retail, industrial and residential sectors. Includes quarterly and topical reports on the latest trends in UK real estate.

[Central London Office Market Report](#) – Quarterly update on leasing and investment activity in the Central London office market.

[UK Regional City Quarterly Reports](#) - City based overview giving a high-level summary of the key occupier and investor activity over the quarter.

[UK Property Market Index](#) - Tracking the performance of UK commercial real estate, looking at total returns, income return and capital value growth. One of the few indices in the market to track both prime and secondary property asset.

Contacts

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Himanshu Wani



Appendix 6
Residential Market Analysis – Prime Central London

Residential Market Review March 2019

Average values in London's prime central London continue to fall since the final quarter of 2018. Subdued activity in parts of London, particularly at the higher end of the market, has dominated the headlines in recent months.

In central London, the proposal of a 1% to 3% stamp duty surcharge for overseas buyers briefly dampened sentiment. However, the Budget made clear that this would be introduced at the bottom end of this range – suggesting a more benign impact than some had feared.

The aggregate effect of the price adjustments in prime central London, since mid-2014, leaves average values almost 20% below their peak. Where committed sellers have adjusted their price expectations to reflect this, the market has continued to tick over but it is very sluggish.

Uncertainty around Brexit has been the main driver of price stagnation although many experts believe an over-inflated market after nearly two-decades of uninterrupted growth has made a correction in the capital inevitable. Political uncertainty looms large over the UK's property market, but experts have nonetheless given their expectations for the year to come.

Subdued activity in parts of London, particularly at the higher end of the market, has dominated the headlines in recent months.

Comparables

Lillie Square - Lillie Road, SW6



Lillie Square is Phase 1 of Capital and Counties' regeneration of Earls Court. This development is a joint venture with the Kwok family, comprising a scheme of 808 units over a 7.5 acre site, with 1 million square feet of proposed development. Phase 1 launched in March 2014 and 227 units sold to date average out at £1,426 per sqft (excluding car parking). When excluding studios, premium units and penthouses, the prices achieved reflect £1,337 per sqft. Phase 2 launched in September 2015 and 154 units have been sold at an average of £1,405 per sqft (excluding car parking), on a like for like basis with Phase 1 units (i.e. excluding studios, duplex, premium units and penthouses) achieved to date reflects £1,405 per sq ft, an 5.2% increase on Phase 1.

375 Kensington High Street - Kensington, W14



375 Kensington High Street is part of the wider regeneration of the Warwick Road master plan by St Edward. The development will comprise more than 500 homes across 3.4 acres. Average prices are now £1,700 psf.

Thomas Earle House is currently quoting between £1,800-£2,000 psf and there are 10 units remaining out of 51 units. Royal Warwick has launched and 28 units have sold at an average of £1,350 psf reflecting the cheaper product. The volume of transactions remains low but units over 2,000 sq ft are still popular.

Chelsea Creek - Park Street, SW6



This waterside living scheme is being developed by St George on a 7.5 acre site neighbouring Imperial Wharf. It will provide 475 new homes, as well as shops, restaurants and offices. There is one completed unit remaining in Lockside House and a further 9 apartments available at Fairwater House (the most recent phase) estimated to complete Q4 2019-Q1 2020.

A 3 bedroom flat in The Tower is on the market for just under £3m. The Tower is the landmark building and is achieving higher values in the region of £1,800psf, but values in this phase are higher than across the rest of the scheme. In Fairwater House the blended average sold prices in the scheme range from £1,400-£1,600 psf, with premium units selling at around £1,800 psf and penthouses at £2,500 psf.

Fulham Riverside - Townmead Road, SW6



The development is a joint venture between Barratt London and London & Quadrant comprising 462 homes and a 100,000sq ft Sainsbury's store over an 8.25 acre site. Phase 1 completed in 2014. Phase 2 (Central Avenue Apartments and Central Garden apartment) was launched in 2015.

The Townhouse collection of 4/5/6 bedroom houses launched end of November 2016.

The whole development completed in December 2017 and all the apartments have sold.

Currently on the market, through a seondhand resale, is a top floor, corner two bedroom apartment comprising 932 sq ft on the 7th floor of Ingrebourne. The quoting price equates to £1,233 per sq ft.

The Tower - One St George Wharf, SW8



The 48-storey Tower forms part of the 7 acre St George Wharf development by St George at Vauxhall riverside. It is the tallest sole residential building in the UK and a focal point on the South Bank. The Tower was released in 2015 and all 223 units are now sold out and completed. Values for the units ranged between £1,500 and £3,000psf depending on specification and floor.

Recent re-sales for 1 bedroom apartments reflect average values of approximately £2,000psf while 2 bedroom flats are being listed in the region of £1,400psf. Three bedroom units located on the 30th floor and above are averaging premium values between £1,700 - £2,700psf.

Sovereign Court - Glenthorne Road, Hammersmith, W6



Sovereign Court is a development by St George on the north banks of the river Thames in Hammersmith, on the site of the former Kings Mall car park. It comprises 418 new homes on a 1.03 hectare site. Construction started in January 2014 and Phase 1 has completed, delivering 249 homes and 5,000 sq ft of commercial space. The first two blocks (Clarence House and Lancaster House) launched in late 2013 and are sold out with average sales values approximately £1,200 psf. Phase 2 (Montpelier House - 103 units) has also sold out. The upper floors of Montpelier House have achieved £1,500 psf.

There are currently 11 units available in addition to several apartments selling on the secondary market. Resale prices are being marketed between £950 - £1,250 psf, with some elite specification penthouses achieving values of £1,400 psf.

Phase II at Sovereign Court, currently referred to as Blocks C, D & E, will total 106 units, rising from three to ten storeys and comprise one, two and three bedroom units. We anticipate asking prices averaging in the order of £1,300 psf.

Battersea Power Station - Nine Elms, SW8



With backing from a Malaysian consortium, the redevelopment of the 39 acre Battersea Power Station is being managed by the Battersea Power Station Development Company Ltd. The scheme includes homes of varying sizes, the restoration of the Power Station itself, retail and leisure facilities.

Construction of Phase 1 began in January 2013 and has been completed. It comprises 867 private residential units and achieved a blended average of £1,039 per sq ft.

Phase 2 comprises 255 units and sold at a blended rate of £2,150 psf.

Phase 3 launched in October 2014 and comprises 1,305 units. 450 had been sold by the end of H1 2018, with an average asking price of £1,700 per sq ft and achieving a blended average of £1,619 per sq ft (exchanged and reserved). A further 539 units are under construction with completion due in Q2 2021.

There is a wide selection of units on the secondary market. Prices range from £650,000 up to £8,150,000 depending on specification and location within the scheme.

Average re-sale prices for studios and single bedroom flats are in the region of £1,500 psf, 2 bedroom flats are circa £1,700 psf and 3 bedroom apartments are listed around £2,000 psf.

Apple has agreed to take 500,000 sq ft of office space across six floors in the power station's central boiler house as its' UK headquarters.

De Vere Gardens - Kensington, W8



De Vere Gardens, also known as One Kensington Gardens, is a scheme developed by De Vere Estates, comprising 97 units over 500,000 sq ft. The development has now completed and current pricing depending on floor level and aspect. Secondary market prices range from circa £2,000 psf to £4,000+ psf, with the average around £3,300 psf.

Fulham Reach - Distillery Road, Fulham, W6



Fulham Reach is a development by St George on the banks of the river Thames. The 7.25 acre development will incorporate 744 apartments and penthouses together with 40,000 sq ft of commercial floor area and 470 basement parking spaces.

As at Q4 2018, the current Phases being marketed are Henley House and Fairfax House. Distillery Wharf - 338 homes (264 private, 74 DMS) comprises Brunswick House, Goldhurst House and Faulkner are all completed and sold.

Henley House - comprises 21 a selection of 2 and 3 bed private units due for completion in mid 2019. 11 units have sold and the 10 units remaining are marketed in the region of £2,250 per sq ft while the two 3 bed apartments are listed at £1,650 per sq ft. The available units are being marketed between £1,970,000 - £3,325,000.

Fairfax House - comprises 117 homes (98 private, 19 Discounted Market Sale) is scheduled for completion in Q4 2020. The available units are being marketed between £800,000 - £2,735,000 which is an asking price ranging between £1,385 - £1,410 per sq ft for a 1 bedroom unit and £1,355 - £1,375 per sq ft for a two bedroom apartment.

Chelsea Waterfront - Lots Road, SW10



Chelsea Waterfront is a development on the 8 acre site of the former Lots Road Power Station in Chelsea by Hutchison Whampoa Property. When complete the scheme will deliver 706 homes in 10 buildings.

The construction for Phase 1 (100 apartments) was completed in 2015/16 and Phase 2, which includes the power station itself has also completed. It comprises:

- Claydon (32 units)
- Chartwell (50 units)
- Compton (21 units)

It was launched in June 2015 and was reportedly selling at an average of £1,700psf, but up to £2,600 psf for premium apartments. We are aware the marketing agents are negotiating discounts.

Embassy Gardens, Nine Elms, SW8



Embassy Gardens is a Ballymore development in the heart of the Nine Elms re-development project. The master plan consists of three phases. The first and second phase will provide 1,679 private rented units and 299 intermediate and socially rented units as a part of a wider mixed-use scheme.

Phase 1 comprised 541 new apartments and launched in Q2 2012. It completed in Q3 2015. All apartments sold out by Q2 2013 and achieved prices at the time ranged from £800 - £1,800 per sq ft equating to an average of £970 per sq ft. Re-sale values for units from Phase 1 in Q4 2018 are in the region of £1,180 per sq ft.

Phase 2 is currently under construction and comprises three buildings: Legacy 1, Legacy 2 and Legacy 3, totaling 709 private units.

Legacy 1 comprises 168 units due to complete in Q4 2018. Legacy 2 is dedicated solely to commercial use and construction is yet to commence. Legacy 3 is expected to complete in Q2 2019. There are 91 units currently for sale with more yet to be released onto the market. Reservations for Phase 2 are being agreed between £1,040 and £1,680 per sq ft, with an average of £1,400 per sq ft.

Discounts offered are generally between 5-10% on the asking price, and as high as 15% for larger units.

Phase 3 has planning permission but has not been launched yet.

Royal Warwick Square, Kensington W14



Royal Warwick Square is a 1.13 hectare Berkeley Group development of 1, 2 and 3 bed apartments and penthouses in Kensington.

Sherrin House comprises 66 units and launched in September 2017, with completion due in Q3/Q4 2021. As at December 2018, there are 10 homes ranging which have not yet sold. 1 bed flats range from £1,300 to £1,360 per sq ft, 2 beds are in the region of £1,580 per sq ft and the 3 bed unit is listed at £2,700 per sq ft.

In 2018 there has been a reduction in enquiry levels with sales price decreasing by 5-10%.

Prime Central London rentals market

In the rentals market, steady demand coupled with a supply shortage continues to result in upward pressure being placed on prices. The impact of recent and ongoing tax changes is having a material impact on the buy-to-let sector, as intended. The risk is that a reduced pipeline of supply will gradually feed through into higher rents.

Annual rental value growth turned positive in the prime central London lettings market last year due to declining levels of stock. Rents increased by 1.1% year on year in December and the growth means that yields for landlords have risen across the prime London market, says the report from Knight Frank.

The 'tenant fee ban, which comes into effect in June this year, may impact the lettings market. There is the risk that any extra costs absorbed by landlords as a result of the ban will lead to higher rents. There has also been speculation the government may introduce minimum three year tenancy periods, which could have further impact on the residential investment market.



However, despite this succession of legislative changes, the combination of strengthening rental values and declining sales values means that investment yields have risen in recent months. It is reported that there was an average gross yield of 3.35% in prime central London at the beginning of 2019 which was the highest figure in almost seven years. Total returns in prime central London outperformed a range of other asset classes in 2018.

Prime Central London Residential Land Sales

Liquidity in the land market is as low as sentiment is nervous. Deals are price sensitive and risk will be appropriately analysed. The number of developers in a position to buy land has shrunk, particularly for large sites, because the number of funders has shrunk and those which remain will only lend to experienced applicants and mainly for smaller less risky sites.

Falls have been driven in part by house price falls in central London. The Savills all prime London house price index is down - 11 per cent from its peak before the major stamp duty overhaul of December 2014. Build cost inflation, rates of sale and an increasingly complex policy environment have also impacted land values.

Brexit uncertainty and falling values have suppressed residential land transactions in the capital. In London's two most central boroughs – Westminster and Kensington and Chelsea – development sites are increasingly being considered for alternative uses such as hotel or office rather than housing.

The market for residential development sites is currently not strong. Data from Real Capital Analytics shows that £705M of land deals have been undertaken in London in 2018, compared to £1.8Bn in 2017 and an average annual volume since 2010 of £1.3Bn. A particular problem is that the Far Eastern investors who have been the major buyers of large London high-end residential projects are delaying build out.

Although now historic, the most recent large land sale in London was in August 2017. St. Modwen Properties PLC announced that VINCI St. Modwen (“VSM”), its 50/50 joint venture with VINCI plc, completed on the £470 million sale of its interest in the 10-acre Nine Elms Square site in London in August 2017 which reflected approximately £47 million per acre. This compares to £25 per acre at Earls Courts which is a lower rate per acre reflecting the lower density of permitted development, higher affordable housing allocation, higher infrastructure costs and payment to Network Rail based at 5.55% of the land residual value.