

In the matter of the proposed court proceedings between:

(1) XXXX

Landlord Claimant

And

(2) XXXX

Tenant Defendants

[Surveyor] FRICS
STATEMENT PREPARED IN RELATION TO THE
DIMINUTION IN VALUE
UNDER SECTION 18 OF THE LANDLORD AND TENANT ACT 1927
IN RESPECT OF

XXX ADDRESS XXX

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PICTURE OF FRONT ELEVATION



Valuation of the Landlord's diminution in the part of the tenure interests held

in respect of

XXXX

Undertaken on behalf of the Respondents XXXX

In relation to a pre-litigation claim by

the Claimant being XXXX

As at the valuation XXXX being the date the property was vacated.

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1. QUALIFICATIONS & EXPERIENCE

1.1. XXXX.

1.2. XXXX.

1.3. XXXX.

1.4. XXXX.

1.5. XXXX.

1.6. I declare the accuracy and truth of the matters put forward. That this report includes all the facts which I regard relevant to the opinion that I have expressed and that I have drawn to the attention of the Court any matter known to me which will affect the validity of that opinion and that this report complies with the requirement of the RICS practice statement regarding surveyors as expert witnesses.

1.7. I confirm that insofar as the facts stated in my report are within my own knowledge, I have made clear which they are and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion.

2. INSTRUCTIONS

- 2.1. I set out herein my report in relation to the Dispute Matter between the Claimant being XXXX and XXXX as the Respondents. In presenting this report to the Claimants for use in Pre-litigation and Court I rely upon those documents contained within the Appendices being the comparables in Appendices F, G, H and I and my valuation under Sections 8 and 9. I am instructed by XXXX and have attached the email instruction which requires me to provide expert evidence on:
- (1) the diminution in value for the premises for the purposes of Section 18 of the Landlord and Tenant Act 1927, and whether the damages claimed/claimable for the cost of the works etc by the clients are as much as, more than, or less than the diminution in value figure.
- 2.2. The report has been commissioned for the purpose of advising of the diminution in value under Section 18 of the Landlord and Tenant Act 1927 and the items that are reclaimable under common law. The valuations have been provided in accordance with the guidance provided by the RICS Valuation - Professional Standards 2014 Edition where they do conflict with the well-established principles of Section 18 of the Landlord and Tenant Act 1927.
- 2.3 A survey of the interior and exterior has been undertaken to establish the extent of the dilapidations and the diminution in value.

3. DESCRIPTION OF THE PROPERTY

- 3.1. For the purpose of carrying out the valuation for determining the value in accordance with the email instruction dated XXXX, I inspected the exterior and the interior of the vacant retail premises and the adjacent yard on XXXX to measure and assess the property. I accessed all parts of the property located on the ground, basement and first floors within the property which form the end of a parade held freehold.
- 3.2. In the Section 'Property details' (page 15) I provide a detailed description of the property relevant to the matter.
- 3.3. Attached as page 2 is a photograph of XXXX (ground floor retail and the first-floor studio held on a separate lease). Further photographs are located under Appendix C

4. ANALYSIS OF RENTAL VALUES

4.1. To assess the rental value of the property the accommodation of the property has been assessed as a self-contained retail unit.

4.1.1. The retail area can be analysed using ‘Zoning’ - See Appendix I. Zone A is considered the most valuable part of a retail premises and comprises the first six metres from the front. The next six meters are referred to as Zone B and are considered to have half the value of Zone A. Zone C is generally the remainder of the area that can be used for retail and has a rental value that is a quarter of Zone A. The remainder that is obscured or has limited retail use is given a value that is between one eighth and one fifteenth of the Zone A rate.

4.1.2. The retail part has been measured in accordance with the latest code of measuring practice and where applicable the RICS Property Measurement, 2nd Edition which incorporates those methods used in 4.1.1. above.

4.1.3. The adjoining yard has been given a notional value given the neighbouring properties have rights of access and rights of way for loading and rear access. In addition to the integral nature of the flat, the first floor would have only been returned as dated residential accommodation in need of modernisation. Comparables are analysed and a rate per square metre has been applied to the first-floor accommodation which has been measured on a net internal basis.

4.2. Using the analysis of comparable evidence under Appendix F, G, & H I am of the opinion the rental value of the Zone A area of the premises is £125.00 per square metre per annum exclusive.

4.3. I have set out below my analysis of the Zone areas for the retail shop.

Floor area	Zone A	Zone B 50%	Zone C 25%	Other 15%	Void space (Nil)	Total Zone A (ITZA)
Ground floor	42.85	42.25	60.53	6.40	10.43	53.70
External Yard	-	-	-	-	-	-
TOTAL	42.85	21.13	15.13	0.96	-	80.07

For valuation purposes the subject property retail Zone A area being the first 6.1 metres from the front of the shop is 42.85 square metres. The Zone B area only extends to next 6.1 metres and has a value that is half that of Zone A with an allowance

for structural pillars amounts to an area of 42.25 square metres. To the rear of Zone B there is an area that has been separated using a stud wall which can be valued as Zone C with an area of 60.53 square metres valued at one quarter of Zone A. Adjacent to the Zone C area is the lobby leading to the external passage and yard that has a value that is 1/15 of Zone A. The washrooms that measure 10.43 square metres have a nil value.

The external yard and passage have an area of 40.9 square metres although given that the neighbouring properties have a right of way, this has a nil rental value.

- 4.4. Taking the floor areas referred to in 4.3 into account the internal Zone A area often referred to as the ITZA has been assessed by me as 80.07 square metres. Taking the floor area as described in Section 14 and Appendix F of this report, the rental value of the retail area amounts to £10,008.00 or say £10,000 per annum exclusive. This however does not reflect the rent agreed between the Claimant and Respondent previously agreed on lease renewal.

5. ASSESSMENT OF DIMINUTION IN VALUE TAKING SECTION 18 OF THE LANDLORD AND TENANT ACT 1927 INTO ACCOUNT

- 5.1. Section 18 (1) of the 1927 Act relates to breaches of repair. The first part of the section states:

‘Damages for breach of a covenant or agreement to keep or put premises in repair during the currency of lease, or to leave or put premises in repair at the termination of the lease, whether such covenant or agreement is express or implied, and whether general or specific shall in no case exceed the amount (if any) by which the value of the reversion (whether immediate or not) in the premises is diminished owing to the breach of such covenant or agreement aforesaid’.

This section provides the cap whereby the damages for breach of repair cannot exceed the diminution of the landlord’s reversionary interest.

- 5.2. The second part of Section 18 (1) states:
‘and in particular no damage shall be recovered for a breach of any such covenant or agreement to leave or put premise in repair at the termination of a lease, if it is shown that the premises in whatever state of repair they might be, would at or shortly after the termination of the tenancy have been or be pulled down, or such structural alterations made therein as would render valueless the repairs covered by the covenant or agreement’.

This refers to negation or 'supercession,' whereby damages are not recoverable if the property is to be demolished or if the landlord intends undertaking structural alterations that would render valueless the remedial works to address the breach of the lease. The property forms part of a parade of shops which are not due to be demolished or altered structurally.

Under Section 18 (1) of the 'Act' the approach is to assess the value of the premises in repair and compare that with the value out of repair to identify the extent of negation. The case of Hanson v Newman defines the assessment.

I have been required to value the property in its current state of disrepair taking into account the breaches of covenant. In doing so, the above has been considered. There is a tendency for valuers to take the costs assessed by the dilapidation surveyors and deduct the total from the value in good order. However in reality, no buyer attends a property, deducts a list of detailed repair costs and then put forward an offer that reflects a residual value. A buyer will however, attend a property and after making an allowance for disrepair put forward an offer. The allowance in the valuation has been assessed based on my experience as a property auctioneer that a buyer would make when looking to purchase a property. I will also consider the value of the property in good order, as on occasions the dilapidations can be assessed at higher figure that the property is worth, bringing in the purpose of Section 18.

In assessing the value of the property in repair I have used a degree of imagination and undertaken research to identify properties that are comparable. Using the comparative approach, the value has been determined to identify the value of the property in its current dilapidated form that is deducted from the value as if well maintained and decorated. When using the comparables the following has been considered:

- Location;
- Size;
- Facilities;
- Rent free periods;
- Incentives;
- Discounts on sale prices.

When valuing the diminution, I have provided two valuations which can be found under Sections 7 and 8 and the Appendices as required under the case Van Dal Footwear Limited v Ryman Limited 2009 when the Court of Appeal identified the need for two valuations.

6. BASIS OF VALUATION

The following has been taken into account:

- The Market
- Market hypothesis
- The Red Book
- Hypothetical Interest
- Hypothetical Parties
- Hypothetical Valuation Date
- Dateless Continuum

6.1. Valuation date

For the purposes of Section 18 (1) of the 'Act' this is 14th April 2023 being the termination date of the lease.

6.2. The Market

The market for XXXX is similar to those shops located in modern shopping parades located on the periphery of the town centre. At the time of the inspection there were two vacant shops on XXXX, eight within 200 yards and two further shops appeared to be closed for trade. In addition, seven units in XXXX have been vacant and available to rent since 2013. When properties have been under offer even though they remain vacant at the time of the 'Hypothetical Valuation Date' I have included them.

At the time of the inspection the premises were being marketed although no insight as to the level of interest was made available to gauge whether the dilapidations made an impact.

Retail premises that have been let in the area range from a Zone A rate of £58.20 to £311.75 per square metre. These include XXXX which rented for £5,000 per annum with an ITZA of 86.0 square metres equating to a Zone A rate of £58.20 per square metre, although an allowance should be made of the size, location and for fit-out.

XXXX is due to be offered at £18,000 per annum for 68.0 square meters equating to a Zone A rate of £264.70 per square metre, although an allowance has been made for location and the benefit of the previous tenant type being 'TXXXX'.

XXXX has rented for £7,250 per annum with an ITZA of 32.2 square metres equating to £225.15 per square metre reflecting the nature of the building and the low overheads.

XXXX is the neighbouring shop which is under offer for £6,500 with a Zone A rate of £240.75, although an allowance should be made for the nature of the property as a hot food takeaway and size.

XXXX has recently been refurbished and is currently under offer for £15,000 which equates to a Zone A rental of £120.50 per square metre. This property is a reasonable comparable given the size and location.

Taking these comparables and those referred to under Appendix F would suggest a Zone A rate of £125 per square metre which when applied to the ITZA of 60.28 square metres amounts to £10,008 or say £10,000 per annum.

When analysing the Zone A rate from sales of retail premises, there are factors to take into account such as development opportunities and the nature of fit out. XXXX has the benefit of having two floors above the ground floor retail and having achieved £165,000 represents a Zone A rate of £4,074. In addition, XXXX is in need of attention and as a development opportunity has initially achieved a price of £325,000 representing a capital Zone A rate of £3155 per square metre. In contrast XXXX has achieved £60,000 equating to a capital Zone A rate of £923 per square metre and XXXX has achieved a capital Zone A of £839 per square metre. These last two comparables may have required repairs and an allowance should be made for the cottage style nature of building.

6.3. HYPOTHETICAL PARTIES

The nature of the ground floor part of the building is such that there is likely to be a limited market in this location. There is no requirement for hypothetical parties that are beyond potential tenants in the open market.

6.4. HYPOTHETICAL INTEREST

From a Section 18 valuation perspective, consideration must be given to the hypothetical interest a tenant would have in adopting the goodwill attached to the trading name in the premises.

Enquiries with the letting agents revealed that whilst they had sold investments with XXX as tenants, they have not received any enquiries to purchase or rent properties from companies operating in the XXXX industry for several years. From discussions with the agent there has been interest from applicants in renting retail properties with small overheads to small traders which appeared to be an appropriate form of disposal.

The hypothetical interest is therefore no less than that available in its current form and does not therefore feature in the valuation.

6.5. DATELESS CONTINUUM

The valuation was undertaken after termination and on the proposed sale of the property and this has been applied to my report, albeit to the benefit of the outgoing tenant given the nature of the retail market.

7. DUTY OF THE VALUATION SURVEYOR

- 7.1. The valuations have been provided only in part in accordance with the principles and the guidance provided by the RICS Valuation - Professional Standards 2014 Edition. The requirements of Section 18 of the 'Act' are such that assumption as to condition must be considered.

The valuation will take the RICS Red Book into account to determine the basis of valuation. However in applying the principles, care must be given to the following which conflict with Section 18(1) of the Landlord and Tenant Act 1927:

1. A special purchaser is taken into account;

2. Marketing is not always feasible;
3. Exchange and completion are assumed to happen simultaneously;
4. Sale and purchaser costs are ignored.

Valuation surveyors are therefore required to analyse the market evidence and adjust where necessary to determine the values as accurately as possible.

7.2. Methodology in assessing the capital value

To assist in determining the capital values I have analysed recent agreed sales of properties offered as investments.

Retail investments in the area have been included in Appendix G where they range from 5.93% for XXXX up to 9.0% net for XXXX which is a mixed retail and residential .

Taking the nature of the building which would result in the subject being sold long-leasehold, the design and location of the premises into account along with the comparables referred to above, a yield of 9.0% has been adopted to ascertain the capital value.

- 7.3. Assessing the costs of putting the property into a marketable state by means of a development appraisal is often used and has been used in Sections 8 and 9 of this report to determine the diminution in value. However in such a situation as the valuation surveyor, I have taken the cost of remedy into account and compared this to the diminution in value as in *Sunlife Europe Properties Limited v Tiger Aspect Holding Limited* (2013).

- 7.4. In assessing the diminution in value under Section 18(1) of the 'Act' there is a requirement to provide two valuations as shown under Appendices D and E.

8. **ASSESSMENT OF DIMINUTION IN VALUE ASSUMING THE HYPOTHETICAL PURCHASER WOULD CARRY OUT THE TOTALITY OF THE REPAIRS AND DECORATIONS**

- 8.1. This method of assessing the diminution is based on the value a hypothetical purchaser would pay with the intension of carrying out the totality of the repairs and decorations to achieve a letting of the property. The value of the freehold or long leasehold in its repaired and maintained state has been ascertained by taking the rental value of £10,000 and applying the multiplier of 11.111 being a return of 9.0%

an investor would expect from a property of this type in good condition. This provides a 'Value in Repair' of £111,111 from which any rent-free periods or void costs must be deducted, which has been assessed as twelve months to allow for marketing resulting in a 'Value in Repair' of £101,536.00. However, the investment value will not materialise for twelve months and I have therefore multiplied this figure with 0.9174312 being the Present Value of one pound resulting in a revised 'Value in Repair' of £93,152.29.

- 8.2. In these circumstances the value of the property to an investor would need to reflect the void period for marketing deferred by one year using the multiplier 0.9174312 resulting in a deferred value of £101,936.70. From this figure I assessed the amount an investor would need to deduct whilst the works were underway and the marketing period including the loss of rates at £9,187.50, insurance at £583.33, marketing of say £1,200 plus an arbitrary allowance for removal of the counter at £10,000 amounting to £20,970.83. The value of the property out of repair is therefore £80,965.87. See Appendix D. Taking this from the 'Value in Repair' gives a diminution in value of **£12,186.42 or say £12,200 (Twelve thousand two hundred pounds)**.

9. ASSESSMENT OF DIMINUTION IN VALUE ASSUMING THE HYPOTHETICAL PURCHASER WOULD DECIDE THAT AN INGOING TENANT WOULD CARRY OUT THE TOTALITY OF THE REPAIRS AND DECORATIONS

- 9.1. The situation in assessing the value of the freehold in its repaired and maintained state is similar to that reported in 8.1. The rental value of £10,000 has been multiplied by 11.111 being a return of 9.0% an investor would expect from a shop of this type in good condition. This provides a 'Value in Repair' of £111,111.00 from which the cost resulting from a rent-free period must be deducted. This has been assessed as twelve months to allow for marketing and other costs resulting in a 'Value in Repair' of £101,536.00 which equates to £93,152.29 an investor would pay taking the twelve-month void period into account.
- 9.2. In these circumstances we assume a hypothetical purchaser would not undertake any repair works but would instead decide that an ingoing tenant would carry out the totality of repairs and decorations. However, the location and design of the premises is such that the tenant is likely to take the condition of the building into account plus potential service charges and would likely only pay a rent that reflects a reasonable value. Taking the retail floor Zone A rated area of 80.07 square metres and multiplying this by the rate of £125 per square metre results in an annual rent of £10,000. This rental is multiplied by 11.111 providing an investment value of the shop of £111,111.00. From this, the marketing costs, legal fees and surveyor supervision fees

I have estimated to be £6200.00 are deducted resulting in a gross value of £104,911.00. However, this will not materialise for one year six months whilst the tenant undertakes the repairs and decorations and a present value of £1 for this period of 0.8795556 is applied providing a deferred value of £92,275.05 for the retail shop. See Appendix E. Taking this from the 'Value in Repair' gives a diminution in value of **£877.23 or say £877.50 (Eight hundred and seventy-seven pounds 50p)**.

- 9.3. Taking Sections 8 and 9 of this report into account I have assessed the diminution in value under Section 18(1) of the Landlord and Tenant Act 1927 and therefore the cap to be **£877.50 (Eight hundred and seventy-seven pounds 50p)**.

10. DECLARATION

- 10.1. I believe that the facts I have stated in this report are true and that the opinions I have expressed are correct.
- 10.2. I confirm that I have prepared content of this report based on a duty to a Judge in a Court and this overrides any obligation to the persons from whom I received instructions, and that I have complied with this duty and if required will assist the Court on all matters within my expertise and I will continue to comply with this duty to the Court.
- 10.3. This report includes or reflects all relevant facts of which I am aware. Where I have made specific or important assumptions, these are set out or included as an Appendix. If there are material matters of which I am unaware or if the assumptions are incorrect or inappropriate for any reason of which I am currently unaware it could have an effect upon my stated opinion.
- 10.4. It is my intention and belief that the contents of this report should comply with the requirements of the Royal Institution of the Chartered Surveyors (RICS) as set down in 'Surveyors Acting as Expert Witness; Practice Statement and Guidance Notes'.
- 10.5. I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

XXXX FRICS
XXXX.

PROPERTY DETAILS

XXXXX

11. TENURE

The property was held on a lease by reference following a surrender and regrant between XXXX as landlord and XXXX as tenant. The lease was subject to a rent of £XXXX for the term until XXXX.

The lease is by reference to an 'Existing Lease' dated XXX between XXXX referred to as the XXX as Lessee as tenant that was granted for a term of 15 years from XXXX. The initial rent was £XXXX per annum exclusive, meaning the tenant is responsible for all outgoings.

The lease is typical of those written as a commercial agreement between landlord and tenant. Paragraph 4 of Section 2 of the lease requires the Lessee to pay one third of the service charges for maintaining the building.

Paragraph 5 (a) of Section 2 required the Lessee 'TO keep the whole the Demised Premises in good and tenantable repair and condition (damage by the insured Risks save to the extent that the insurance monies shall be irrecoverable in consequence of any act or default of the lease only accepted)'.

Paragraph 5 (b) of Section 2 required the Lessee 'FROM time to time, and at all times, as often as occasion shall reasonably require during the term to keep the Demised Premises, (including such part, (if any) thereof, as shall not be built upon) in a clean and tidy condition and properly cleansed and in particular to replace all cracked or broken glass, including plate glass (if any) when it becomes cracked or broken'.

Paragraph 5 (c) of Section 2 required the Lessee 'replace by new articles of a similar kind and quality all fixtures fittings, or plant and equipment (other than tenant's or trade fixtures and fittings) upon or in the Demised Premises which shall become in need of replacement'.

Paragraph 6 of Section 2 required the Lessee 'AT least once in every five years of the term, and also in the last six months thereof, whether determined by effluxion of time or otherwise, but not so that the demise premises are decorated twice in any two consecutive years of the term to paint, French Polish, clean or otherwise treat as the case may be the shop front and all the inside wood, metal and other work previously, usually or requiring to be painted French polished cleansed or otherwise treated of the Demised Premises with two coats of good quality paint or other suitable medium, in accordance with the requisite British Standard specification for the time being, subsisting in respect of the materials in question in a proper and workmanlike manner and also at the same time as every such painting or treating to grain, varnish and clean the parts of the devised premises previously, usually all requiring to be grained, varnished or cleansed. And to paint all paper with a paper of good quality in a

proper workmanlike manner, all the walls and ceilings of the demise premises, usually painted or papered as the case may be’.

Paragraph 7 of Section 2 required the Lessee ‘TO yield up unto the Lessor at the expiration or sooner determination of the term the Demised Premises so painted repaired cleansed maintained and kept in accordance with the covenants and conditions on the part of the lessee to be observed and performed hereinbefore contained Together with all additions and improvements made thereto in the meantime and all fixtures and fittings, including the keys (other than tenants or trade fixtures and fittings) in or upon the Demised Premises or which during the term may be fixed or fastened to or upon the same so treated painted repaired cleansed maintained and kept as aforesaid PROVIDED all damage or injury to the Demised Premises or any part thereof caused by the affixing or removal of any tenant’s or trade fixtures and fittings be made good by the lessee immediately on such removal’.

Section 4 paragraph 3 of the lease requires the landlord /lessor ‘TO maintain in good and substantial repair and to decorate the exterior of the Building including the roof foundations, the external walls and internal load bearing walls joists beams pillars and other structural members of the building including the floors and Joists immediately above the ceiling of the Demised Premises’.

Section 4 paragraph 4 of the lease requires the landlord /lessor ‘TO clean light repair and maintain and rebuild as appropriate, all gutters, drains, pipes, roadways, pavements, foundations, roofs, main walls, main beams, columns, entranceways, areas, party walls and fences and any amenities and things over which rights are hereby expressly granted to the lessee and any service media things or conveniences of any nature whatsoever, which shall be at any time during the term used by or enjoyed by the Demised Premises or the lessees or occupier thereof or any part thereof in common or jointly with other persons or persons’.

Section 4 paragraph 6 of the lease requires the landlord /lessor ‘TO pay a fair and reasonable proportion of the costs incurred by the lessee in repairing and maintaining the yard at the rear of the Demised Premises’.

The ‘Demised premises’ is described under The First Schedule as ‘ALL that ground property situate at XXX having a frontage to XXX and also a frontage to XXXall of which said property is numbered XXXX aforesaid together with the yard behind the same all of which said property is, for the purposes of identification only and more particularly delineated on the Plan annexed hereto and thereon edged red forming part of the Building and for the avoidance of dispute shall include : (i) The interior faces (including plaster surfaces) of all walls and ceilings contiguous with the Demise Premises (ii) The interior faces (including plaster surfaces) of all columns

within the Demised Premises (iii) The external shop front of the Demised Premises up to the upper level of the fascia board (iv) The floorboards and other floor finishes of the Demised Premises (v) The suspended ceiling (if any) and lighting of the Demised Premises (vi) All internal doors and all doors contiguous with the Demised Premises including the fasteners catches locks and glass therein (vii) All windows within the Demised Premises including the fasteners catches locks frames and glass therein (viii) All ducts shafts system tanks radiators water gas electricity and telephone supply pipes wires and cables sewers drains soil pipes wastewater pipe soak aways meters and pipes wires and cables other than those belonging to the supply authority so far as the same are within and exclusively serve the Demised Premises (ix) The Landlords fixtures and fittings (if any) in and about the Demise Premises (x) All alterations additions and improvements to the Demised Premises of a similar nature to those items in paragraphs i-ix hereof and for the avoidance of dispute excluding all structural parts of the building of which the demise premises forms part including the roofs thereof and the internal load bearing walls joists beams pillars and other structural members and foundations and structural floors thereof although not excluding those items referred to in paragraphs i - ix hereof '.

The Claimant owns the freehold title.

12. DESCRIPTION

The property comprises a ground floor shop, escape area and rear yard the latter of which is shared with neighbouring properties and for which the landlord covenants to contribute to the repairs and cleaning. Above the subject premises and within the same building are two further floors that are occupied by a dance studio. The building appears to have been constructed circa 1960 and is out of character with the surrounding buildings which have traditional stone walls typical of those found in a market town between XXX and XXXX. The shop has a retail frontage facing south onto XXXX and is located between a takeaway (that was closed at the time of the survey) to the left or west, and a disused supermarket to the right being east. The property extends north with a rear exit into XXXX.

The shop is set in a parade of vacant retail premises at the time of the inspection and faces onto a square or market place that leads to XXXX which forms part of the main shopping area. XXXX acts as a thoroughfare leading from the main town car park to XXXX.

Traders south of XXXX include XXXX.

Generally, the area comprises retail shops and hot food business that cater for the agricultural population of XXX including the XXX and a number of local and specialist traders with the larger nationals located out of town close to the XXXX.

The bus station is located approximately 1050 yards to the north-east at the east end of XXXX with routes to XXXX and the surrounding villages. XXXX mainline station is located approximately 800 yards to the west offering regular XXXX services to XXXX.

The property is primarily a rectangular unit with washrooms to the rear, a pedestrian emergency means of escape, a side emergency exit and a rear yard that has gates leading out onto XXXX that is shared with neighbouring properties to the west.

A location plan is attached in Appendix B.

13. CONSTRUCTION

The subject property forms the ground floor of a building constructed with a concrete frame that has brick outer walls to the rear, flank walls and panels to the front elevation and constructed circa 1960. The front elevation is fitted with a coated metal shop front that incorporates an entrance door. To the rear elevation onto XXXX, the property has a metal covered means of escape door and has metal framed windows with wired frosted glass. On the west elevation and inner south elevation, the subject property has metal framed windows that overlook the rear yard. A further means of escape door leads from the rear lobby into a passage that forms part of the area demised to the subject premises.

Inspection reveals the property was originally constructed as a shop with an integral staircase to the rear that provided an emergency route from the upper floors which has now been blocked.

Internally the retail area has a part solid and part suspended floor that has carpet covering over the retail area and has been divided to create a rear counter area. The walls have been clad with panelling and trunking to conceal cables and switches. A suspended ceiling with mineral tiles and metal grid has been fitted to the retail and counter area. To the rear of the retail area is a partition wall that forms a staff kitchen, customer washrooms and a staff toilet.

The walls have painted decoration to the plaster walls and the walls have a tiled finish. A suspended ceiling with mineral fibre tiles has been installed to the retail area.

Adjacent to the staff room is a lobby that provides access to a closed staircase and to a passage leading from an open yard to XXXX. The lobby has plaster walls and ceiling and a solid floor. Within the lobby is a small cupboard which has a painted timber panel door fitted with grip handle. The door into the lobby is timber and the exterior door has a metal finish with security bar fitted.

Overall the property has been left decorated and available to trade as a XXXX or similar trade requiring a counter.

14. ACCOMMODATION

14.1 FLOOR AREAS

Retail shop

Ground floor

Externally the shop has a frontage of 7.50metres. The retail area of the shop has a maximum internal width of 7.25 metres and has a depth of 10.5metres. At 15.0metres there is a counter and at 17.30metres there is a stud partition wall with a width of 2.77metres. Flanking the retail area are eight building supports 0.78metres by 0.4metres all intruding into the retail floor.

To the rear of the partition wall there is a staff kitchen 2.43 metres by 2.77metres which provides access to a staff toilet and store 2.35metres by 1.77metres; and to a lobby 1.68metres by 3.22metres maximum that leads into a rear passage and yard.

At 17.3 metres from the shop front are public washrooms 3.0metres by 2.61metres maximum.

Overall, the shop has an internal floor area of 151.7 square metres.

Exterior

External enclosed yard and access passage 40.9 square metres.

The premises have been measured in a net internal area basis (NIA) unless otherwise stated in accordance with the RICS code of Measuring Practice (Seventh Edition) and RICS Valuation - Professional Standards 2014 Edition. The measurements reported above are net internal.

14.2 Zone A area

When assessing the value of the retail premises, for comparable purposes I have used zoning. Please refer to Section 4.3. of this report for the analysis.

15. CONDITION

An external inspection revealed the property to be subject to historic movement to the party wall shared between the passage and with the building to the west. The internal layout has been altered to create a counter, public washrooms, staffroom and staff washroom as shown in the Licence to Alter under Appendix J. The common or shared areas of the building were found to be in need of attention.

Overall, the premises does not appear to have been left in a manner that could be seen as in repair although a purchaser may make an allowance for the removal of the counter which is not universal for all trades given the location of the property.

16. SERVICES

The premises are connected to mains electricity, water and drainage.

The ground floor shop electric consumer unit and distribution board are located to the front right panelling adjacent to the entrance door.

The three washrooms with toilet and washbasin with connections to water and drainage have been installed to the rear of the shop. A sink with drainer has been installed to the staffroom with connections to water with a Triton direct water heater providing hot water to the sink. In addition, a sink is located in the lobby area that leads to the external passage and yard.

17. RATEABLE VALUE

Enquiries with the Valuation Office Agency suggested that retail shop has been included within the rating assessment with the current entry having a rateable value of £ssss from the effective date of XXXX.

18. VALUATION PRINCIPLES AND APPROACH

- 18.1. The general principles for valuation are set out within RICS Valuation Guidance notes. I confirm that for the retail part of the premises I have adopted those principles contained within the guidance provided 'Retail Zoning Guidance Note' (See Appendix I). The valuation method adopted for the residential upper has been using market comparable evidence.
- 18.2. I appreciate that some of the information I have obtained which is included within the report is hearsay. My comparable evidence relates to the information made available to me from estate agents. The value of Zone A for the shop has been assessed from this information. I have been required to exercise my judgment and experience when arriving at the valuation of the property referred to in this report.
- 18.3. The office part of the premises has been assessed from transactions relating to comparable properties which have been analysed on the size of accommodation to provide a rate per square metre. This rate has been applied to the floor area of the office part of the subject premises.
- 18.4. My opinion of value is current as at the date of this report and my valuation is made on the assumption, which in my view is a realistic basis for valuation, that the comparable evidence is applicable to the price as at the hypothetical valuation date. I must point out that prices after the hypothetical valuation date may be influenced by external factors and subject to fluctuations that I have not included.

19. INSPECTION

I have inspected of all parts of the property referred to in this section titled Property Details. All measurements have been undertaken using a Leica Disto 'Classic' D410 laser measure which was purchased new mid-October 2019.

During the inspection of the property I undertook to take moisture readings using a 'Surveymaster' sonic moisture meter. On the first and second floors readings were not found to be excessive from a valuation perspective.

20. NATURE OF THE PROPERTY

- 20.1. During the inspection, the property was unoccupied and previously traded as a XXXX's business.
- 20.2. The premises has an external yard area over which the neighbouring properties have a right of way and which the landlord has covenanted to pay towards maintenance.
- 20.3. The property is not characteristic of the local area (see photographs under Appendix C).
- 20.4. The premises is in a secondary location for retail and is set on the periphery of the main trading area of a market town that according to the last census had a population of approximately 17,000.
- 20.5. The subject premises forms part of a three-storey building that requires refurbishment before being in a condition that is suitable for renting as retail or office use. The upper floors are an integral part of the building and appear to be of limited use to a commercial tenant other than the existing use as a dance studio. For a good tenant but not of national status, in my opinion an investor would pay a 9.0% yield for the long-leasehold interest that is deferred to reflect a lengthy rent-free period which has impacted on the value of the property.

APPENDIX A

ASSUMPTIONS AND DISCLAIMERS

ASSUMPTIONS AND DISCLAIMERS

Assumed date of valuation: XXXX.

Basis of valuation: Market Value as defined by RICS Glossary of Terms, namely: The estimated amount for which a property or space within a property, should realise on the date of valuation between a willing purchaser and a willing seller, in an arm's length transaction, after proper marketing wherein the parties should act knowledgeably, prudently and without compulsion.

Assumptions as to title: It is assumed that there can be proved good, unencumbered title to the property and that there are no restrictive covenants, easements, planning matters, compulsory purchase orders or any other matter which could be revealed by a local search, replies to usual enquiries or any statutory notice and which would impact on value.

Extent of Survey: This valuation report does not constitute a building survey and no investigations have been made separately, carried out in respect of latent defects, deleterious materials, or other hazardous substances. There has been no investigation to establish the condition and location of the water mains supply and soil water drainage. No test of the electrical installations was undertaken and for the purposes of this valuation, we have assumed any electrical installations will be undertaken to the standards recommended by the Institute of Electrical Engineers and in compliance with part P of the Building Regulations. No test of the gas installations was undertaken and for the purposes of this valuation we have assumed the gas pipes and connections will be installed to those standards of the Council of Registered Gas Installers and in accordance with part L of the Building Regulations.

Contamination: No investigations have been carried out with respect to contamination and it is assumed that none is present. No asbestos register has been made available to us to confirm that no such material exists in the property. The nature of the interior of the premises is such that only wood and plaster on mortar were evident.

Planning: We have valued the property on the basis that the necessary detailed planning, building and statutory undertakings consents and requirements have been forthcoming.

- Building control: Note was made of the presence of fire safety installations and we have therefore assumed that all building control and fire regulation approvals have been sought and awarded.
- Taxation: No allowance has been made for VAT or capital gains taxation on purchase or disposal.
- General Disclaimer: In accordance with the advice of the Royal Institution of Chartered Surveyors, this report is confidential to you and your advisors and is for the sole purpose expressed above. This report is not to be used in connection with appraisal for secured lending. We can accept no responsibility if it is relied upon by anyone else, whether for the stated purpose or for any other.

In addition, neither the whole nor the part of this report may be included in any published document, circular or statement, nor published in any way, without our written approval of the form and context in which it may appear (such approval not to be unreasonably withheld).

APPENDIX B
LOCATION PLAN

XXXX
[Map replaced
with stock image]



APPENDIX C

PHOTOGRAPHS
DURING INSPECTION

APPENDIX D

**ASSESSMENT OF DIMINUTION IN VALUE ASSUMING THE HYPOTHETICAL PURCHASER
WOULD CARRY OUT THE TOTALITY OF THE REPAIRS AND DECORATIONS**

ASSESSMENT OF DIMINUTION IN VALUE ASSUMING THE INCOMING HYPOTHETICAL PURCHASER WOULD CARRY OUT THE TOTALITY OF THE REPAIRS AND DECORATIONS

Taking the Valuer's view that given the market conditions the hypothetical incoming purchaser would carry out the totality of the repair and decorations over a year before re-letting. The rent is £10,000 although twelve months be allowed for marketing after completion of the works to the retail area to secure the letting.

IN REPAIR

Retail Zone A floor area 80.07 @ £125 per sq.m.	£ 10,008.00
Say	£10,000.00
Year's Purchase in perpetuity @ 9.0%	11.111
Gross Value in repair	£ 111,111.00
Less	
Costs of rates (£7875), insurance (£500) and marketing (£1200) 12 months	£ 9,575.00
Gross Value in repair	£ 101,536.00
PV £1 @ 9.0% 1 year	0.9174312
VALUE IN REPAIR taking the 6 months into account	£93,152.29

OUT OF REPAIR

Retail Zone A floor area 80.07 @ £125 per sq.m.	£ 10,008.00
Say	£ 10,000.00
Year's Purchase in perpetuity @ 9.0%	11.111
Gross Value in repair	£ 111,111.00
PV £1 @ 9.0% 1 year	0.9174312
Value of investment taking deferred value into account Assuming works take 2 months	£ 101,936.70
Less	
i. Loss of rates -	£ 9,187.50
ii. Loss of insurance -	£ 583.33
iii. Marketing -	£ 1,200.00
iv. Allowance for counter removal, reinstatement, decoration etc -	£10,000.00
Total deductions	£ 20,970.83
VALUE OUT OF REPAIR	£ 80,965.87

DIMINUTION IN VALUE

£ 12,186.42
Or say £ 12,200.00

APPENDIX E

**ASSESSMENT OF DIMINUTION IN VALUE ASSUMING THE HYPOTHETICAL PURCHASER
WOULD DECIDE THAT AN INGOING TENANT WOULD CARRY OUT THE TOTALITY OF THE
REPAIRS AND DECORATIONS**

ASSESSMENT OF DIMINUTION IN VALUE ASSUMING THE HYPOTHETICAL PURCHASER WOULD DECIDE THAT AN INGOING TENANT WOULD CARRY OUT THE TOTALITY OF THE REPAIRS AND DECORATIONS

The valuer's view is that the incoming purchaser would decide that an incoming tenant would undertake the repair and decoration works as they are not worth doing as they would not increase the ERV sufficiently to justify the cost. Marketing and the rent-free period considered necessary by the letting agent to secure a tenant. A tenant would look for a six months rent free period to undertake the work and the landlord would incur the additional legal and surveyor fees associated with monitoring the works.

IN REPAIR

Retail Zone A floor area 80.07 @ £125 per sq.m.	£ 10,008.00	
Say	£ 10,000.00	
Year's Purchase in perpetuity @ 9.0%	11.111	
Gross Value in repair		£ 111,111.00

Less

Costs of rates (£7875), insurance (£500) and marketing (£1200) 12 months		£ 9,575.00
Gross Value in repair		£ 101,536.00
PV £1 @ 9.0% 1 year		0.9174312
VALUE IN REPAIR taking the 6 months into account		£ 93,152.29

OUT OF REPAIR

Retail Zone A floor area 80.07 @ £125 per sq.m.	£ 10,008.00	
Say	£ 10,000.00	
Year's Purchase in perpetuity @ 9.0%	11.111	
Value of shop	£111,111.00	
Marketing period	£ 1,200.00	
Surveyor supervision fees and legals	£ 5,000.00	
Value of shop	£104,911.00	
PV £1 @ 9.0% for 1 ½ years	0.8795556	
OUT OF REPAIR Value of shop		£ 92,275.05

DIMINUTION IN VALUE

	£	877.23
Say	£	877.50

APPENDIX F

RETAIL SHOP RENTAL COMPARABLES ANALYSIS

Rental comparables

Address	Type	Zone A - Size sq.m.	Rent pa exclusive	Zone A rent
	Main road previously rented by XXXX	68.0	£18,000	£264.70
	Lock-up	32.2	£7250	£225.15
	Small shop neighbouring subject	27.0	£6,500	£240.75
	Refurbished	124.5	£15,000	£120.50
	New 2013	86.0	£5,000	£58.20
	New 2013	46.0	£12,000	£260.90
	Mid-Terrace Retail Premises in XXXX Town Centre	38.5	£12,000	£311.75
	New lease 28th November 2022	45.8	£12,750	£278.50

APPENDIX G

FREEHOLD RETAIL SHOP SALE COMPARABLES

SALES

Address	Type	Zone A - Size sq.m.	Sale	Zone A capital rate
	Shop and 2 floor above	40.5	£165,000	£4074.00
	Ground Floor Sales 59.40 sq m (639 sq ft) Ground Floor Ancillary 7.65 sq m (82 sq ft) Total Net Internal Floor Area 67.05 sq m (722 sq ft)	65.0	£60,000	£923.00
	Development site Former showroom and retail property on three floors • Total area 407 sqm (4,377 sq ft) • Rear land of 779 sqm currently used as contract car park	103.0	Asking £325,000	£3155.00
	2022 Ground Floor Sales 59.40 sq m Ground Floor Ancillary 7.65 sq m	71.5	£60,000	£839.00

APPENDIX H
YIELD COMPARABLES ANALYSIS

INVESTMENTS

Address	Type	Rent pa exclusive	Price	Yield
	Shop with staff rooms and seating above	£12,750	£214,950	5.93%
	Mixed used investment property	£12,300	£139,000	8.85%
	Lock Up Quasi Trade / Commercial Units	£54,264.16	£795,000 asking	7.58%
	Shop and self-contained flat	£16,750		9% net

APPENDIX I

RICS DEFINITION OF ZONING FOR THE VALUATION OF SHOPS

XXXX

Zoning is a standard method of measuring retail premises to calculate and compare their value. It is used by both public and private sector surveyors.



Zoning as a method has been applied in the UK to the analysis of shop rents and properties for rating purposes since the 1950s.

Shop or retail premises are divided into a number of zones each of a depth of 6.1 metres - or 20 feet.

Zone A closest to the window is most valuable with the value decreasing with distance from the frontage: Zone B is the next 6.1 metres, then Zone C until the entire depth of the retail area is allocated to a zone - anything after Zone C is usually defined as the remainder.

The established valuation convention is to halve back from Zone A, with Zones B onwards assessed 'in terms of Zone A' (ITZA): Zone B = A/2; Zone C = A/4. Zone D, which is usually the remainder of the retail area after Zone C, is assessed as A/8 and any ancillary space will probably be valued as A/10.

[Beckett and Kay's note on shop rental values](#)

A note on zoning

The analysis of shop rental values

It is common sense, as well as an established standard of valuation, that the front of a shop – the part seen by passers-by – is worth more than the back. It follows from this that a shop with 15m of frontage and a depth of 8m commands a higher rent than a shop of 8m frontage and depth of 15m.

The method valuers have developed to deal with this is called zoning. The principle of zoning is that the front band of space is valued at one rate, the next band at half that, and so on.

Though all valuers agree on the principle, the detailed analysis can vary from valuer to valuer. My own approach, which I believe to be the commonest, is to take the first three bands – called Zone A, Zone B and Zone C – at 6m depths into the shop, call all remaining areas of the shop Zone D, and value ancillary space on an ad-hoc basis. If the amount of Zone D is relatively small, I would throw Zone D into Zone C.

I treat Zone B as having half the value per square metre that Zone A commands, Zone C a quarter of the value of Zone A, and Zone D one eighth. This idea is sometimes expressed thus:

Zone	Value ITZA *
A	A
B	A/2
C	A/4
D	A/8
Basement	A/10

** meaning expressed 'in terms of Zone A'*

A highly simplified example

Take a shop with 5m of frontage to the street, and a depth of 25m. There are 4 zones in such a shop, according to my method, and they analyse as follows:

Zone	Measures	Actual (m ²)	ITZA (m ²)
A	5.0 x 6.0	30.0	30.0
B	5.0 x 6.0	30.0	15.0
C	5.0 x 6.0	30.0	7.5
D	5.0 x 7.0	35.0	4.4
		125.0	56.9

If I now find that there is reliable evidence from other transactions to support a rate of, say £1,000/m² ITZA, then I value this shop at £56,900 per annum. Of course, I must have analysed the comparables by the same method, or, in a saying common among valuers, 'as you value, so must you devalue'.

APPENDIX J
LICENCE TO ALTER PLAN

APPENDIX K
INSTRUCTION