

**Peter Beckett for the Landlord; Terry Davis for the Tenant**

**A small office building in a viable office location**

**Valuations: Landlord**

**Diminution in the value of the landlord's reversion**

Valuation A: value in compliance with covenants	1,427,548
Valuation B: value in actual condition	<u>1,190,724</u>
<b>Diminution in the value of the landlord's reversion</b>	<b><u><u>236,824</u></u></b>

**Peter Beckett for the Landlord; Terry Davis for the Tenant**  
**A small office building in a viable office location**  
**Valuations: Landlord**  
**Valuation A: assuming Tenant's compliance with covenants**

**Sale to the Investor**

1	Estimated rental value ("ERV")		150,000
2	Years' purchase in perpetuity at:	6.50%	15,3846
3	Investment value		<u>2,307,690</u>
4	Investor's acquisition costs at:	6.75%	145,920
5	Gross development value ("GDV")		<u>2,161,770</u>
6	Sale costs at:	2.00%	43,235
7	Net sale proceeds		<u>2,118,535</u>

**Project costs (except those related to the site)**

8	Scott schedule work		0
9	Less supersession		<u>0</u>
10	Net cost of work attributable to the outgoing tenant		0
11	Work not attributable to the outgoing tenant *		72,000
12	Supervision fees on lines 10 and 11 at:	13.50%	9,720
13	Letting fees as % of ERV:	10.00%	15,000
14	Legal fees on letting as % of ERV	5.00%	7,500
15	Marketing costs		2,500
16	VAT on lines 10-16 at:	0.00%	<u>0</u>
17	Total cost of work and lettings		106,720
18	Interest on the work for:	42 weeks at 5.00%	3,300
19	Insurance premium	50 weeks at £2,000 per annum	1,923
20	Other irrecoverable costs	50 weeks at £3,000 per annum	2,885
21	Void rates	37 weeks at £48,510 per annum	34,517
22	Profit to purchaser at:	20.00% on project costs	<u>360,295</u>
23	Total deductions unrelated to purchase price		509,640
24	Gross cost		<u>1,608,895</u>

**Project costs related to the site**

25	Interest for project length:	58 weeks at 5.00%	84,987
26	Purchase cost including acquisition costs		<u>1,523,908</u>
27	Acquisition costs at:	6.75%	96,360
28	<b>Valuation A: in compliance, Purchaser pays</b>		<u><u>1,427,548</u></u>

**Interest rate** **5.00%**

**Date of valuation**

**Date of calculation** **8-Jul-14**

\* inclusive of preliminaries, overheads and profit

Peter Beckett for the Landlord; Terry Davis for the Tenant  
A small office building in a viable office location

Valuations: **Landlord**

**Valuation B: in actual condition**

**Originating differences from Valuation A**

**Difference between the parties**

**Sale to the Investor**

7 Net sale proceeds per line 7 on Valuation A 2,118,535

**Project costs (except those related to the site)**

8	Scott schedule work			246,000	
9	Less supersession			36,000	
10	Net cost of work attributable to the outgoing tenant			210,000	
11	Work not attributable to the outgoing tenant *			72,000	
12	Supervision fees on lines 10 and 11 at:	13.50%		38,070	
13	Letting fees as % of ERV:	10.00%		15,000	
14	Legal fees on letting as % of ERV	5.00%		7,500	
15	Marketing costs			2,500	
16	VAT on lines 10-16 at:	0.00%		0	
17	Total cost of work and lettings				345,070
18	Interest on the work for:	45	weeks at 5.00%		13,849
19	Insurance premium	58	weeks at £2,000 per annum		2,231
20	Other irrecoverable costs	58	weeks at £3,000 per annum		3,346
21	Void rates	45	weeks at £48,510 per annum		41,980
22	Profit to purchaser at:	20.00%	on project costs		360,295
23	Total deductions unrelated to purchase price				766,771
24	Gross cost				1,351,764

**Project costs related to the site**

25	Interest for project length:	66	weeks at 5.00%		80,666
26	Purchase cost including acquisition costs				1,271,098
27	Acquisition costs at:	6.75%			80,374
28	<b>Valuation B: in actual state, Purchaser pays</b>				<b>1,190,724</b>

\* inclusive of preliminaries, overheads and profit

<b>Peter Beckett for the Landlord; Terry Davis for the Tenant</b>							
<b>A small office building in a viable office location</b>							
<b>Valuations: Landlord</b>							
<b>Reconciliation of the valuations to the Contractual Claim</b>							
<b>Comparison</b>							
	Contractual claim before interest					509,297	
	Diminution before rounding					236,824	
	<b>Difference</b>					<b>272,473</b>	
		Valuation A	Valuation B	Diminution effect	Contractual claim	Difference	Comment
<b>Valuation reduces the claim</b>							
	Cost of compliance works	0	210,000	210,000	246,000	36,000	Supersession
	Supervision and CDM co-ordination	9,720	38,070	28,350	33,210	4,860	Linked to supersession
	VAT	0	0	0	0	0	
	Insurance premium	1,923	2,231	308	2,077	1,769	
	Other irrecoverable costs	2,885	3,346	461	3,115	2,654	
	Rates	34,517	41,980	7,463	38,248	30,785	
<b>Valuation introduces new factors</b>							
	Interest on the work	3,300	13,849	10,549	0	-10,549	
	Interest on purchase price	84,987	80,666	-4,321	0	4,321	
	Acquisition costs	96,360	80,374	-15,986	0	15,986	
<b>Valuation eliminates</b>							
	Preparation of schedule	0	0	0	6,150	6,150	
	Negotiation of claim	0	0	0	24,228	24,228	
	Solicitors' costs	0	0	0	500	500	
	Loss of rent	0	0	0	155,769	155,769	
<b>Comparison with the Contractual Claim</b>						<b>272,473</b>	

**Peter Beckett for the Landlord; Terry Davis for the Tenant**

**A small office building in a viable office location**

**Valuations: Landlord**

**Assumed timings**

	<b>A: in compliance</b>		<b>B: actual</b>	
	<b>Weeks</b>	<b>Week</b>	<b>Weeks</b>	<b>Week</b>
Lease expires	0	0	0	0
Preparation of schedule of works	2	2	2	2
Planning consent	0	2	0	2
Instructions to proceed	1	3	1	3
Receipt of tenders	4	7	4	7
Tender report	1	8	1	8
Instructions to proceed	1	9	1	9
Contractor on site	4	13	5	14
Contract period	7	20	14	28
Letting - agreed	26	46	26	54
- completion	4	50	4	58
Investment - marketing	4	54	4	62
- completion	4	58	4	66
<b>Total</b>	<b>58</b>		<b>66</b>	
<b>Cost of works financed for</b>	<b>42 weeks</b>		<b>45 weeks</b>	
<b>Insurance premium paid for</b>	<b>50 weeks</b>		<b>58 weeks</b>	
<b>Other irrecoverable costs paid for</b>	<b>50 weeks</b>		<b>58 weeks</b>	
<b>Empty rates paid for</b>	<b>37 weeks</b>		<b>45 weeks</b>	

*NOTE: A complex case may justify a DCF analysis in substitution for the above. Circle Developer uses such an analysis.*