Carter Jonas

Valuation Report

One Chapel Place,
London, W1G 0BG

Subject Property:

The Citadel
Citadel Road
Western Heights
Dover
CT17 9DR

On behalf of Dover Citadel Ltd

As at 30th November 2022

Carter Jonas

Contents

Appendices

EXECUTIVE SUMMARY

The Citadel, Citadel Road, Western Heights, Dover, CT17 9DR

The following provides a brief synopsis only and should be read in conjunction with the main body of the Report, the Assumptions and Recommendations contained therein.

Exterior photo

Location plan

Summary Description	A former fortress constructed in the early / mid nineteenth century located on the cliffs above Dover. Most recently used as an immigration detention centre.
Tenure	Freehold
Tenancies	None. The property is currently vacant

Special Assumptions

Market Value 2 (MV 2) is provided on the special assumptions below:

a. Consummation of a sale within 60 days period,
b. But otherwise the asset is subject to market conditions prevailing as of the date of valuation,
c. Both the buyer and the seller are acting prudently and knowledgeably,
d. The seller is under compulsion to sell,
e. The buyer is typically motivated,
f. Both parties are acting in what they consider their best interests,
g. A normal marketing effort is not possible due to the brief exposure time, and
h. Otherwise in accordance with the instructions.

Principal Valuation Considerations

Strengths	Weaknesses
• South eastern location with good views • Significant amount of real estate	• The property is currently vacant • Some heritage assets

	• Much of the accommodation is tired and requires refurbishment and significant landscaping • Access is currently poor
Opportunities	**Threats**
• Significant Development Potential • Significant opportunities to add value with new lettings • Significant temporary income come potential in short to medium term	• Wider macro-economic uncertainty • Lack of interest from tenants for this unusual location and accommodation

Recommendations

- We have been advised by the Client that Business Rates will not be payable on the property. We understand they will be phased back in over time as the proposed development progresses. We understand this has been agreed with the Council however we have not seen confirmation of this. We would recommend prior to purchase and / or lending this is confirmed with the Local Council.

Valuations

Value Basis	Value (£)
Market Value 1 (MV1):	£7,970,0000
Market Value 2 (MV2):	£7,170,000
Market Rent 1 (MR1):	£839,200

INSTRUCTIONS & RICS COMPLIANCE

1 Client ('Client')

Dover Citadel Ltd
The Citadel
Citadel Road
Western Heights
Dover

Neither the whole nor any parts of the Report nor any reference to it may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and content in which it may appear.

2 Instructions ('Instructions')

Our Report for internal and loan security lending purposes is submitted on the basis of our letter of engagement , dated 17th November 2022 (**Appendix 1**).

Our Valuation Report is prepared in accordance with the appropriate sections of the current RICS Professional Standards (PS) and Our Valuation Report is prepared in accordance with the appropriate sections of the current RICS Valuation – Professional Standards UK and the RICS Valuation – Global Standards 2020 incorporating the IVSC International Valuation Standards (the 'Red Book').

This Report may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

This Report is provided for the stated purpose and for the sole use of the named Client. It will be confidential to the Client and its professional advisors. The Valuer accepts responsibility to the Client alone that the Report has been prepared with the skill, care and diligence reasonably to be expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk.

We shall rely upon information provided by the Client and / or the Client's legal or other professional advisors relating to tenure, leases and all other relevant matters.

3 Identification and Status of the Valuer ('Valuer')

This valuation has been undertaken by Dudley Holme-Turner MRICS for and on behalf of Carter Jonas LLP.

We confirm that the Valuer has no known material connection or involvement with the subject of the valuation or the Client.

The Valuer is an RICS Registered Valuer and is in a position to provide an objective and unbiased valuation. The Valuer has sufficient current knowledge of the particular market together with the skills and understanding required and is competent to undertake the valuation.

4 The Subject of the Valuation (the 'Property')

The Citadel
Citadel Road
Western Heights
Dover
CT 17 9DR

The Property is a former military fortress located on the cliffs above Dover.

We understand the Property is intended to be the subject of a development or refurbishment.

5 Basis of Value

Market Value (MV) as defined in VPS4 of the 'Red Book' being:

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

6 Special Assumptions

As agreed with the Client the following Special Assumption(s) have been made:

Market Value 2 (MV 2) is provided on the special assumptions below:

a. Consummation of a sale within 60 days period,
b. But otherwise the asset is subject to market conditions prevailing as of the date of valuation,
c. Both the buyer and the seller are acting prudently and knowledgeably,
d. The seller is under compulsion to sell,
e. The buyer is typically motivated,
f. Both parties are acting in what they consider their best interests,
g. A normal marketing effort is not possible due to the brief exposure time, and
h. Otherwise in accordance with the instructions.

7 Valuation Date

Our valuation is as at 30th November 2022.

It should be noted that values change over time and a valuation given on a particular date may not be valid on an earlier or later date.

8 Inspection

The Property was inspected on 28th April 2021.

We were unable to gain access to all of the accommodation during our inspection but have seen a large enough sample to form an opinion on the remainder.

We have assumed there have been no changes in the physical characteristics of the Property between the date of inspection and the publication of the Report.

9 Confidentiality

This report and valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect to its contents.

10 Disclosure and Publication

The contents of this valuation report must not be disclosed to any third parties without first obtaining our written approval to the form and context of the proposed disclosure. Our consent must be obtained even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any special assumptions or Departures that we have made.

This Report and valuation has been carried out by Dudley Holme-Turner MRICS (Partner) an RICS Registered Valuer qualified for the purpose.

……………………………….. Tel: 020 7518 3286
Email: Dudley.Holme-Turner@carterjonas.co.uk

……………………………….. Peer reviewed by Jason Sharman MRICS (Partner) RICS Registered Valuer

Tel: 020 7529 1519
Email: Jason.Sharman@carterjonas.co.uk

For and on behalf of Carter Jonas LLP
Date of Report: 30th November 2022
Carter Jonas LLP Reference: J0059603

PROPERTY REPORT

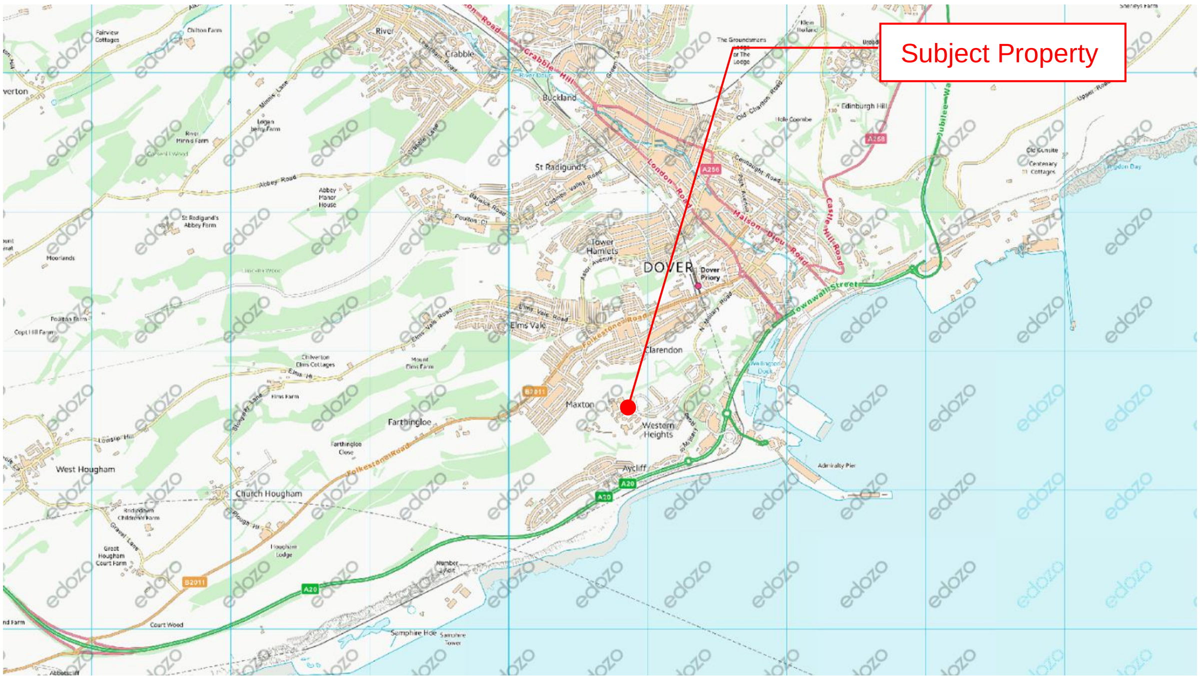
The Citadel, Citadel Road, Western Heights, Dover, CT17 9DR

1 Location

The subject property is located in Dover, Kent.

Dover is situated on the south east coast within the county of Kent. The town has a population of approximately 28,000 with 115,800 located within the wider local authority according the 2011 population census. There is also a large number of visitors and tourists with the main attraction of Dover Castle. The subject property is located to the west of the town centre and sits between the areas of Maxton and Aycliffe. The nearest amenities to the subject property are located in the town centre of Dover, which offers a wide variety of national and local occupiers.

The subject property is 0.8 miles from the A20, which leads directly onto the M20 to the west, and the A2/M2 to the east. Both these routes provide direct access to Central London. Dover is the busiest cross channel port with a regular service to Calais running up to 15 times a day taking 1 hour 30 minutes. Dover Priory train station provides direct access to London St Pancras International station running on an hourly basis taking 1 hour 4 minutes.



The Location Plan reproduced above is for context only; it is not to scale.

2 Description

The subject property consists of a former military fortress constructed in the nineteenth century. The property has had a number of uses since its construction, the most recent of which was an immigrant detention centre up until 2015.

3 Construction and Specification

The subject property comprises three separate parcels of land. The Citadel is a long strip of land of irregular shape. It lies in the centre of the site and is made up of the Officers Quarter's, Mess Establishment, other institutional historical buildings and more recently a number of buildings developed by Her Majesty's Prison Service (HMPS). It features a series of ditches, underground tunnels and casemates and it is surrounded by a moat. To the West of the Citadel is the Western Outworks plot of land which houses a number of Barack Huts, Casemates and Ditches. On the Eastern edge of the site is the third plot of land, Car Park and Additional Space. This part comprises a level field and a visitor car park.

The Citadel

There are six ditches in total on the site. The trenches are constructed of brick and earth materials such as soil, minerals and clay. The brick is layered into the soil to create a ditch. The base is either level or cut to an even incline. The casemates are large brick structures, built into the land which feature a series of vertical thin vents from which guns could be fired. Internally the structures have derelict gunrooms and fireplaces made from brick and cast iron.

The Officers' Quarters occupies a sunken area on the South-East side of the Citadel. It is a mid-17th century building of Tudor Gothic style arranged over the basement and first floor. The building is thin and long in shape, running East to West and is formed of red brick. Internally the building is divided into three compartments which are made up of rooms such as the kitchen, dining rooms, bedrooms, servant's rooms and stores. There are a number of water tanks in the property.

The Sergeant's Mess Establishment, now used as a garden store and security office is located on the South side of the Citadel. It was constructed in late 17th Century and is comprised of a single storey building of brick wall with a flat concrete roof. Internally, there are a number of separate rooms including a dinning portion, billiards room, cooks' room, reading room, bar and cellar.

The Regimental Institute (former Canteen) is positioned on the North edge of the Citadel. The brick building comprised staff accommodation, a supper room, a bar restaurant, grocery shop and other facilities.

The Cook House and Dining Room is positioned to the North of the site. The Cook House is a single storey steel framed building of four bays with a roughcast exterior. The new Dining Room, now converted into a gymnasium, is a single storey building with eleven bays and pier and panel construction. There is a pitched slate roof. In the 1930's the dining room was extended to provide a new Cook House and additional dining facilities.

There is also a pump room, engine room, water tank and main parade ground on site.

In addition to the above heritage assets there have been a number of buildings developed on site post 1956 when Her Majesty's Prison Service (HMPS) took over management and running of the site. Since this period the site has been used both as a prison and an immigration detention facility with the buildings on site being appropriated to fit these specialist uses. Existing buildings constructed since 1956 include a gymnasium, football pitch, sports hall, works department, in addition to some further cellular accommodation.

In the care of Her Majesty's Prison Service the revetments and some of the internal buildings have been well maintained, though inevitably there have been losses due to the need for larger, purpose made structures.

Western Outworks

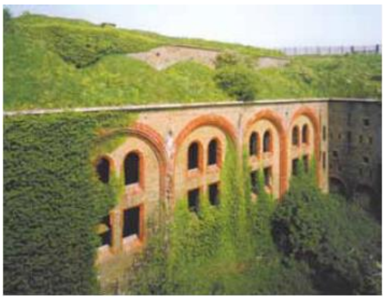
This plot was constructed in mid-17th Century and is an irregular plot of land located to the West of the Citadel. It comprises the North Ditch, South Ditch, North and South Flank Casemates, Parade Ground and a number of institutional buildings of similar specification to the Citadel. Access between the Citadel and Western Outworks is provided by a bridge via the West Sally Port.

There are six 13 bay Barrack Huts on the site which are of brick construction with a pitched slate roof, all but one of the huts are located by the road. The huts, built in late 17th Century are long and thin in shape and feature a number of single glazed, timber framed sash windows. All of the huts have been rendered on the South and West faces, but their external form remains largely intact. From the 1950's onwards the Hut Barracks were adapted to form specialist accommodation for the vocational training of prisoners. A Cook House / Bath House, Dining Room / Drill Shed and the Company Office / Stores also lie in this part of the site.

Car Park and Additional Site

This parcel of land is located to the East of the Citadel on the Eastern edge of the site. The visitor car park is a flat irregular shaped parcel of land of concrete construction. The car park is accessed from the East from the main driveway into the site. The driveway is straight and runs between fields and residential buildings on either side. The carpark is bordered by grassy verges, a field and a number of residential buildings which lie outside the site boundary. The field on this part of the site is flat, of irregular rectangular shape and is clear of any use.

The Valuation excludes those items of plant and machinery, fixtures and fittings specifically related to the business being conducted at the Property.









4 Accommodation

The accommodation available at the Property is as follows:

Building	m²	ft²
Administration Building	3,627.7	39,048
Boiler House (Admin.)	14.2	152
Rye House	1,543.4	16,613
Deal House	1,539.0	16,565
Main Stores & Visitor Centre	832.2	8,957
Cabin	34.2	368
Workshops	219.3	2,360
Barn	76.9	827
Stores	20.4	219
Health Mobile	36.0	387
Health Care Centre	253.5	2,728
Gate House	227.7	2,450
Switch Room	54.4	585
Visitors Reception	141.5	1,523
Stables	40.3	433
Hastings House	949.4	10,219
Sandwich House	949.4	10,219
Romney House	949.4	10,219
Ces Stores	48.0	516
Sports Building	373.8	4,023
Gymnasium	266.6	2,869
Cleaning Store	21.4	230
Internal Garden	52.5	565
Tower	11.6	124
Store Room	9.1	97
Chapel & Stores	787.7	8,478
Works Department	741.0	7,976
Garage	28.8	310
Shed	20.3	218
Fuel Store	11.3	121
Education Building	725.4	7,808
Staff Rest Room	31.3	336
Segregation Unit	310.1	3,337
Dining Hall & Kitchen	984.6	10,598
Victualling Store	113.2	1,218
CIT Painters	218.7	2,354
CIT Bricklayers	271.7	2,924
CIT Plumbers	257.9	2,776
Canoe Shop	75.2	809
Store 1	13.5	145
Store 2	31.2	335
Store 3	41.4	445
Store 4	3.4	36
VT Mech'L Services	364.7	3,925
VT Welders	281.4	3,028
Wire / Computer Shops	258.1	2,778
VT Motor Mechanics	311.9	3,357
VT Motor Mechanics Store	39.8	428
Bridge Store	2.1	22

Bridge Shed	9.6	103
Skilled Ops	479.3	5,759
Plant Room	476.7	5,131
CIT Carpenters	520.5	5,602
CIT Plasterers	438.4	4,718
Total (GIA)*	**20,141.1**	**217,371**

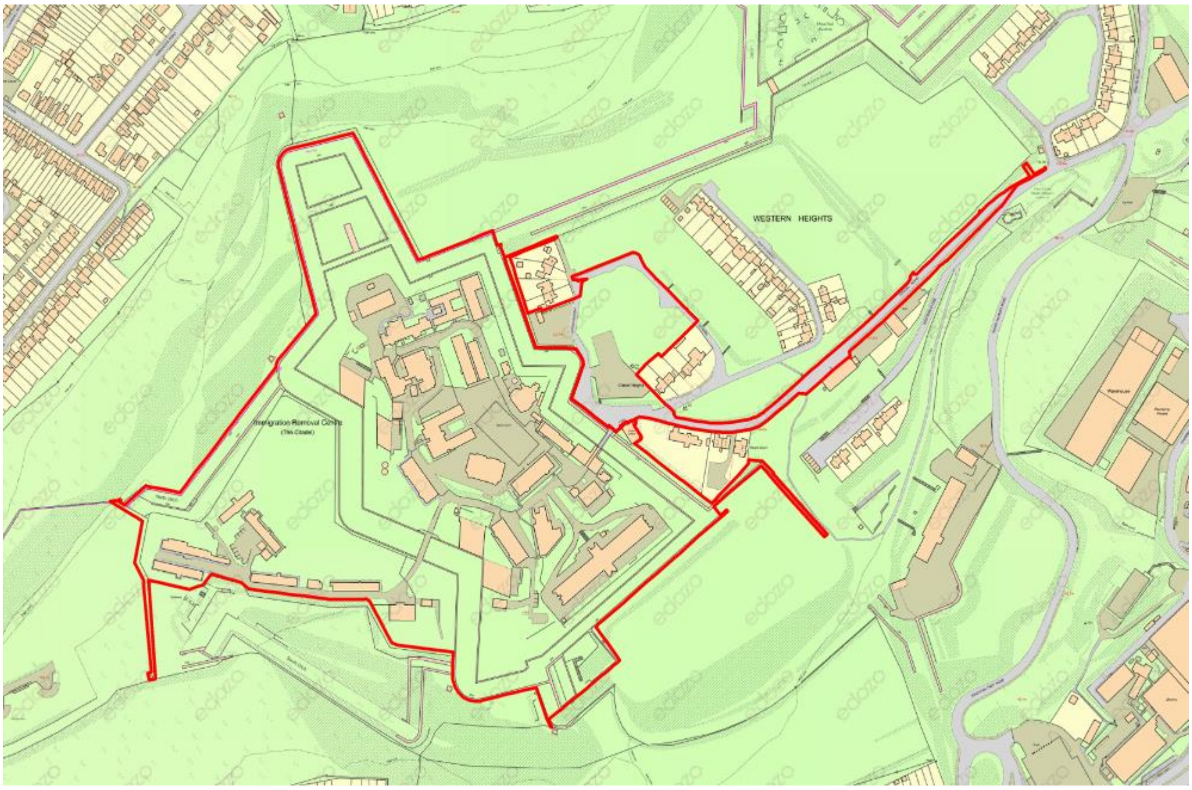
*This does not include approximately 16,500 sq ft of potential accommodation in the casements.

The above measurements were provided by the Client. They are assumed to be accurate.

All measurements are approximate and calculated in accordance with the RICS Property Measurement (incorporating International Property Measurement Standards) 2nd Edition Jan 2018.

5 Site

The extent of the Property is indicated on the site plan (Edozo) produced below.



The site plan reproduced above is for context only; it is not to scale.

The site is split into two separate titles. The areas are summarised below.

The first site area is 11.752 hectares (29.039 acres).

The second site area is 1.505 hectares (3.719 acres).

The total site area is 13.257 hectares (32.758 acres).

The site area has been calculated electronically using digital mapping.

6 Services

Electricity	Assumed Mains
Water	Assumed Mains
Foul Drainage	Assumed Mains
Gas	Assumed Mains
Broadband / Telephone	Assumed Connected

Written confirmation has not been obtained from the service providers and we are unable to Report on condition or offer any warranty.

7 Apparent State of Repair

This Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services. Our valuation has taken account of the general condition of the Property as observed from the valuation inspection.

Due regard has been paid to the apparent state of repair and condition of the Property, but a building survey has not been undertaken. We have not inspected roof voids or those parts of the Property which are covered, unexposed or inaccessible. Therefore, we are unable to Report that the Property is structurally sound or is free from any defects. We have made an assumption that the Property is free from structural faults, design defects, rot, infestation and adverse toxic chemical treatments other than as mentioned herein.

At the date of inspection, the buildings appeared to be in a mixed state of repair commensurate with their age and use. The site is vacant, with varying elements having been unused for varying periods of time. It is apparent that some of the accommodation would have been in use up until the Ministry of Justice vacated the site in 2015. Other parts of the site, particularly some of the ancillary, subterranean elements will not have been used for a far greater length of time. Some of the casements are the subject of a refurbishment process currently.

We recommend as a condition of any loan secured on the Property that structural surveys are undertaken to identify any elements of significant material disrepair.

8 Contamination / Environmental Issues

8.1 Contamination

We have not been instructed to make any investigations, in relation to the presence or potential presence of contamination in land or buildings, and to assume that if investigations were made to an appropriate extent, then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the Property or any adjacent land, to establish whether there is any potential for contamination from such uses or sites and have therefore assumed that none exists. Should it be established that contamination does exist, this might reduce the value now Reported.

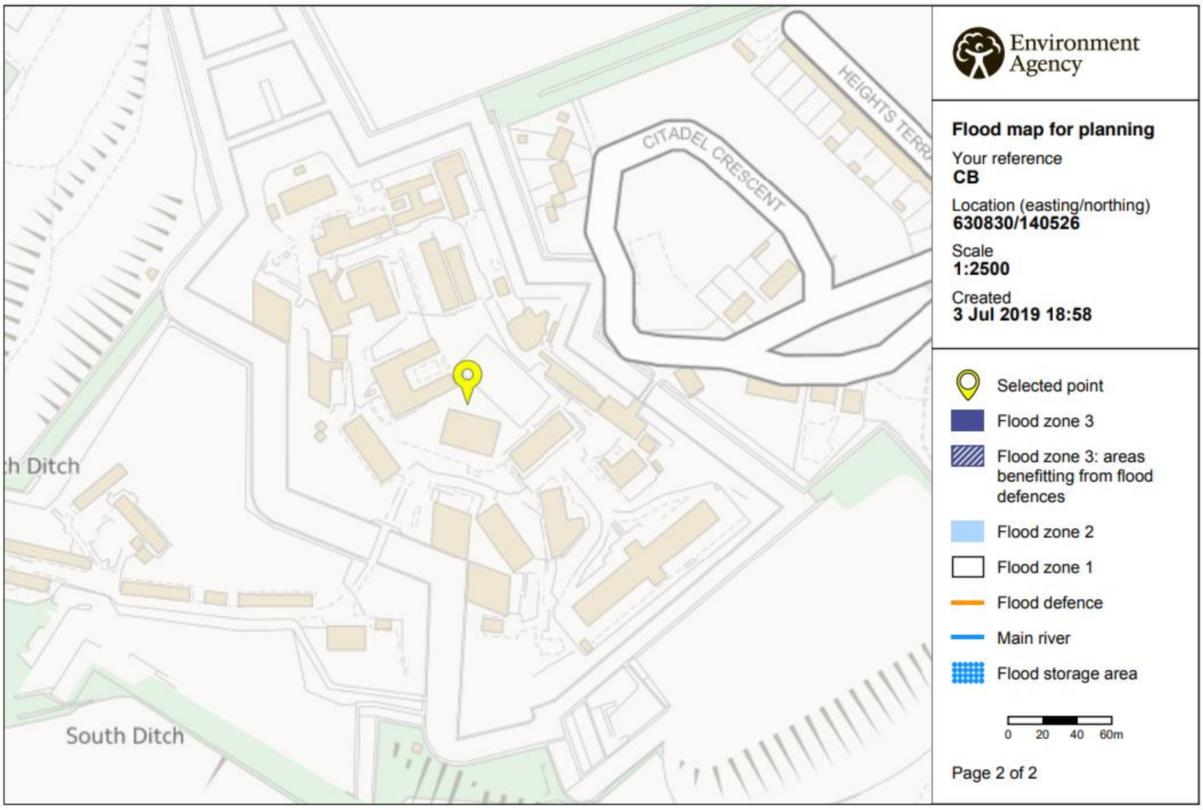
No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or ground waters. In the event of contamination being discovered, further specialist advice should be obtained.

You are advised to ensure that your legal adviser takes up the usual enquiries on your behalf, in respect of possible contamination issues, prior to entering a commitment to purchase.

8.2 Other Environmental Factors

The Property is shown to be located in Flood Zone 1, an area with a low probability of flooding.

The floor map reproduced below is for context only; it is not to scale.



Radon gas is a naturally occurring radioactive gas which is normally associated with areas based upon granite rock subsoils. The area in which the subject Property is situated is identified by Public Health England as being one where the maximum radon potential is 5%-10%.

It is not possible in the course of our valuation inspection to determine whether radon gas is present in any building, as the gas is colourless and odourless. Tests can be carried out to assess the level of radon in a building. The minimum testing period is 3 months. Where radon is discovered, it has been the experience of Public Health England that it is not expensive, in proportion to the value of the Property, to affect the recommended remedial measures. We have therefore disregarded this matter for the purpose of our valuation.

Noting the limits to our inspection no Japanese Knotweed or Giant Hogweed was evident within the boundary of the Property.

Part 1 section 14(2) of the Wildlife and Countryside Act 1981 states ' ... if any person plants or otherwise causes to grow in the wild any plant which is included in Part II of Schedule 9, he shall be guilty of an offence.' This means a person is bound by law to undertake all reasonable steps to control Japanese Knotweed or Giant Hogweed growing on, or infringing onto, their land. The Environmental Protection Act 1990 and its subordinate legislation govern the procedures for its disposal.

8.3 Hazardous and Deleterious Materials

Many building components contain asbestos, but these can be difficult to identify particularly if encapsulated. There are significant health hazards associated when ingesting dust containing asbestos fibres. Once asbestos based materials have been identified, care should be taken to avoid their disturbance or removal. Such work should only be undertaken by a licensed asbestos contractor and this can be a significant cost.

The Control of Asbestos Regulations 2012 requires asbestos to be managed in non-domestic premises. The practical effect of this is the imposition of a legal duty on every employer in non-domestic premises to make an assessment (the Asbestos Survey) as to whether asbestos is present or is liable to be present and if so to prepare a plan and for managing the health risks arising (the Management Plan) and keep this up to date as necessary.

During our inspection we were not provided with an Asbestos Survey or Management Plan. We are unable to confirm whether the Property complies with the requirements of the Regulations.

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

The valuation given in this Report assumes that no specialist removal of asbestos material is required in the foreseeable future. If this proves not to be the case this could affect the value now reported.

We have assumed that no other deleterious or hazardous materials have been used in the construction of the Property or subsequently incorporated.

9 Statutory Enquiries

9.1 Fire Risk Assessment

The Regulatory Reform (Fire Safety) Order 2005 (SI 2005 No. 1541) came into effect on 1 October 2006. This requires the responsible persons for all non-domestic properties to prepare a Fire Risk Assessment (FRA).

During our inspection we were not provided with an FRA and we are unable to confirm whether the use of Property complies with the requirements.

9.2 Equality Act 2010

The Equality Act 2010 has replaced Part 3 of the Disability Act 2005. It imposes a duty on employers and businesses offering a service to the public to make reasonable changes to practices and procedures to enable disabled people to do their jobs or remove or alter any feature that makes it impossible or unreasonably difficult for a disabled person to make use of the service provided. The duty of compliance rests with the occupier.

During our inspection we were not provided with a Disability Discrimination Audit and we are unable to confirm whether the use of Property complies with the requirements of the Acts.

It may be that the Equality Act does not apply to the property in its current use. We would advise your legal advisors to verify this.

9.3 Energy Performance Certificate

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) to be made available for all properties (with limited exceptions), residential and commercial, when bought, sold or rented. The Certificate is valid for ten years and includes an Energy Efficiency Rating between A (most efficient) and G.

We have not been provided with an EPC rating but have searched the online Landmark EPC Register which identifies the Property to be rated as follows.

Demise/Address	Rating Band
Hastings House	D (54)
Gymnasium	C (52)
Dining Hall and Kitchen	D (100)
Canoe Shop	E (113)

CIT Bricklayers	E (121)
CIT Carpenters	G (165)
CIT Painters	E (124)
CIT Plasterers	G (161)
CIT Plumbers	E (121)
Deal House	C (65)
Education Building	D (100)
Plant Room 1	G (186)
Plant Room 2	G (222)
Romney House	C (54)
Rye House	C (55)
Sandwich House	C (54)
Segregation Unit	C (54)
Sports Building	B (45)
The Citadel	D (80)
Victualling Store	G (287)
Visitors Reception	D (78)
VT Mechanical Services	E (124)
VT Motor Mechanics	D (82)
VT Welders	F (128)
Wire Computer Shops	E (111)
Works Department	D (96)
Workshops	D (93)
The Citadel	D (80)
The Healthcare Centre	D (92)

On 26 March 2015, The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 brought into force the minimum energy efficiency standard (MEES), introduced by the UK government to meet its obligations under the Energy Act 2011. The minimum standard applies to both domestic and non-domestic property from 1 April 2018. From that date, a landlord will be unable to let an F or G Energy Performance Certificate (EPC) rated commercial property (known as a sub-standard property). The regulations not only apply to lease renewals (where an EPC exists), but also to sub-lettings, capturing tenants who wish to dispose of unwanted space.

From 1 April 2020, the regulations become more onerous by applying to all property leases (where an EPC exists). Initially, the regulations apply to landlords of domestic properties and from 2023, landlords of non-domestic properties must also comply. The government proposes to review MEES in 2020 and so the standard may tighten.

Some F and G rated properties fall outside of the scope of MEES, including those that are not required to have an EPC under the Energy Performance of Buildings Regulations 2012, for example, listed buildings. In addition, properties with a short lease (defined as less than six months) or with a long lease (greater than 99 years) are excluded. Certain other exemptions also apply e.g. once all cost-effective improvements (defined as a 7 year payback period) have been undertaken or a landlord is unable to obtain third party consent for the improvement works, for example from the planning authority, lender, superior landlords, etc.

If a sub-standard property is sold, the new owner / landlord has only 6 months to comply with the regulations; an important due diligence consideration for prospective purchasers and occupiers.

Exemptions last for 5 years, and to qualify a landlord must register the property on the public Private Rented Sector (PRS) Exemptions Register, stating the reasons in the entry.

The penalties for non-compliance are significant, ranging from £2,000 to £150,000, based on the rateable value of property.

10 Highways

The Property appears to be accessed directly from the adopted highway, but we would recommend this be confirmed by your solicitor.

11 Local Authority

Dover District Council
www.dover.gov.uk

12 Planning

12.1 Planning Enquiries

We have made online enquiries of the Local Planning Authority and in so doing have assumed that all information obtained is correct and accurate.

Current Use/Lawful Planning Use	We have assumed the property to be in its current lawful use.
Listed Building Status?	We understand the Administration Block is Grade II listed.
Conservation Area?	Yes – Western Heights Conservation Area
Outstanding Planning Applications?	Not as far as we are aware.

12.2 Local Planning Policy

A new Local Plan is currently emerging but has yet to be adopted. However, we have reviewed a draft of the new Local Plan and would note the site, or parts of the site, are directly affected by the following policies:

DM Policy 47: Dover Western Heights Fortifications Scheduled Monument and Conservation Area

Viable uses which conserve and enhance the significance of the Dover Western Heights heritage asset, and which contribute to delivering a sustainable future for the site including its landscape and biodiversity, will be supported. In particular developments should:

a) Make a positive contribution to the character and distinctiveness of this significant heritage asset;

b) Optimise the opportunities presented by this site to enhance the economic well-being of the town;

c) Promote and enable the constructive conservation of the built heritage of the site including those elements which are on the Heritage at Risk register;

d) Respect the overall historical coherence of this heritage asset and provide support for heritage restoration which delivers exemplary standards of conservation, design and sustainable construction;

e) Conserve and enhance the natural environment, ecology and biodiversity of the site;

f) Enhance awareness and accessibility of this asset for residents and visitors;

g) Improve connectivity between the fortifications and the town, including, where possible, the delivery of links with the town centre, Dover Priory railway station and the Dover waterfront; and

h) Comply with the Delivery Principles of the Dover Western Heights Masterplan (2015) and any successor.

Development within the boundary of the Western Heights which would have a detrimental impact on the heritage significance, settings, views, biodiversity, character or coherence of the components and elements of this complex, will not be permitted.

Inter-visibility between different elements of the fortifications within the site and with key features in the surrounding landscape is a key aspect of the significance of this heritage asset and of its potential visitor appeal. New development should therefore not harmfully intrude on key views as identified in the Dover Western Heights Masterplan SPD.

DM Policy 33: Protection of Open Space

Development proposals that involve the whole or partial loss of open space within settlements, outdoor recreation facilities, playing fields or allotments within or relating to settlements, or of built and indoor sports facilities, will not be supported unless either;

a) A robust assessment of open space and sports provision, using the quantity and access standards for open space and sports facilities set out in this Local Plan, has identified a surplus in the catchment area to meet both current and future needs, and full consideration has been given to all functions that open space and indoor built sports facilities can perform, having regard to the existing deficiencies within the local area; or

b) Any replacement facility (or enhancement of the remainder of the existing site) provides a net benefit to the community in terms of the quantity, quality, availability and accessibility of open space or sport and recreational opportunities.

In all circumstances, the loss of open space will not be permitted if that open space;

1. Contributes to the distinctive form, character and setting of a settlement;
2. Creates focal points within the built-up area; or
3. Provides the setting for important buildings or scheduled ancient monuments, or are themselves of historic or cultural value.

In addition to the draft Local Plan, the subject property is also directly impacted by the Dover Western Heights Masterplan that was adopted in September 2015. The Dover Western Heights Masterplan states is vision as:

"to enhance the Western Heights as a destination of national and international significance that complements Dover's other heritage attractions. A sustainable future will be created by unlocking the value of its military heritage and its unique setting and widening its appeal as a strategic location for inward investment. Local people and organisations will be empowered to play an active role in the stewardship of the landscape and its heritage."

With regards to the Citadel specifically and its development potential the Dover Western Heights Masterplan states the following:

"should the existing use by the Ministry of Justice ever cease, then the Citadel (with attendant existing road access and availability of services) provides perhaps the most potential for commercial development.

Optimisation of the development potential within the Citadel, however, would likely require new, improved access across the ditches and may result in pressure for supporting development on the interior of the fortifications. This still remains mostly open and represents a key aspect of the intended operation of the fortifications.

Stakeholder feedback indicated a desire to make public access to the Citadel more available. Where possible, this should be incorporated in any future redevelopment of the site.

Re-use of the of the site should recognise its public ownership and must respect its national significance as a heritage asset, to ensure that its potential contribution to the long-term sustainability of the Western Heights is maximised for the public good.

In this instance, a comprehensive development brief should be prepared to ensure that any interested parties fully understand the specific constraints and opportunities that the site brings. Any development brief should seek to secure a sustainable long-term future for the Citadel which seeks to respect and enhance the site's historic interest, biodiversity, landscape setting and character.

Ideally its central area could be returned to being open but, having been developed already, that is perhaps a more aspirational heritage objective. Replacement and redevelopment of the existing building stock, however, would afford the opportunity for a design and layout to be more sympathetic to the heritage setting, which could seek, as far as practicable, to Dover District Council September 2015 54 Dover Western Heights Masterplan provide more of an open character. This would also reduce the currently adverse impact on the landscape, in particular both for views from the Castle and on the setting of the AONB.

Similarly, the removal of high security paraphernalia, which is evident in close range views and a significant visible detractor in the wider setting, would be beneficial.

New access, if required, should be designed and, as far as practicable, located to retain the original arrangements.

An alternative use should be found for the listed Officers' Quarters, to enable it to be retained and restored, should it ever no longer be required by the Ministry of Justice."

12.3 Planning Permissions / Listings

There are no current planning applications on the subject property. However, there is a relevant application that has been submitted on the adjacent site. Full details below:

Application Number: 12/00440

Outline planning permission for construction of:

1. Up to 512 residential units (Use Class C3);

2. Up to 9,335sqm 90 apartment retirement village (Use Class C2);

3. Up to 730sqm health facility (Use Class D2); together with associated landscaping and ancillary infrastructure and works at Great Farthingloe Farm, Dover; and

4. Up to 31 residential units (Use Class C3); and

5. Up to 7,400sqm 130 bed hotel & 150-person conference centre (Use Class C1); together with ancillary infrastructure and works at land at Western Heights, Dover; and

6. Provision of a pedestrian access network to facilitate enhanced recreation access together with associated landscaping and works on land at Great Farthingloe Farm and Western Heights, Dover.

Full planning permission for the conversion of:

1. Thatched barn to pub/restaurant (Use Class A4/A3);

2. Stable block to retail shop (Use Class A1/A2); and

3. Farmhouse to bed & breakfast use (Use Class C1); together with associated landscaping and ancillary infrastructure and works at Great Farthingloe Farm, Dover; and

4. Victoria Hall to provide 9 residential units (Use Class C3); and

5. Drop Redoubt to a Museum/Visitor Centre (Use Class D1) together with associated landscaping and ancillary infrastructure and works at land at Western Heights, Dover.

We understand that the above application was submitted in May 2012 and is yet to be determined. The application currently sits with the Secretary of State.

This site faces similar challenges to the subject property being located adjacent, subject to the Western Heights Masterplan 2015 and also containing comparable heritage assets.

The Heritage List (source: www.historicengland.org.uk) shows the Administration Building at the Property to be Listed Grade II as a building of special architectural or historic interest.

The Heritage List extract states:

Formerly known as: Officers' Quarters, Western Heights. Officers' quarters within citadel, now offices. 1861, by the Inspector-General of Fortifications. Red brick with limestone dressings and flat asphalt roof. Gothic Revival style. Double-depth plan. EXTERIOR: 2 storeys and basement; 15-window range. Similar front and rear elevations have deep projecting centre bays, cornice and deep parapet to a former bomb-proof roof. The entrance is flanked by buttresses with a flat 2-centre archway and steps up to a mid C20 door beneath a pair of gun ports and a panel with the royal coat of arms dated 1861. Windows have paired Tudor-arched lights with 4/4-pane sashes under flat-ground-floor and 4-centre arched first-floor arches, with a mid-point Tudor-arched doorway to the inner elevation with flanking lights, under cross-light oriels with weathered coping to front and rear. Large clasping buttress to the ashlar ends, which are divided into 3 bays, the middle one narrower with gun recesses and splayed side INTERIOR: The entrance hall has a large mid C20 stair, and rooms off an axial round-arched passage the length of the building. The basement contains former stables, stores and water tanks. HISTORY: Formed the quarters and mess for the officers in the Western Heights Citadel (SAM), which was built in the 1800s. The origin accommodation was all in casemates. With its gun ports and bomb-proof earth-filled roof, it *was partly intended a defensible keep in the event of the Citadel being stormed. The level of defence is representative of a time of rapid developing artillery and fortifications.*

12.4 Potential for Change of Use

We understand that the subject property is being considered for a potential change of use.

The Borrower, Techfort Citadel Limited, has been in discussions with key stakeholders for a number of years now to develop the subject property into a commercial and leisure hub providing a total 230,000 sq ft of new and refurbished accommodation. This would include a destination and retreat for corporates and privates with 199 hotel rooms, spa and lake house, additional staff accommodation, the Caponnier Club providing flexible work spaces, lounge, meeting rooms, office suites, staff rooms and auditorium, the casements artisan office accommodation providing initially 16,665 sq ft with further casements being developed as necessary, Citadel water plant, Citadel beer brewery and the Laser building a bespoke 30,000 sq ft office and data centre. As at the date of the valuation some of the casements following a government grant, have are in the process of being refurbished and converted into office accommodation which should be available to let in 2023.

In addition to the above, there is some temporary income with a number of contracts secured from various film companies and producers and additional income from events which may or may not continue going forward, at least on a temporary basis. There has also, on the back of significant interest from various police forces, licenses agreed for training on the site on a rate per day and an intention is also to convert two of the buildings, Sandwich House initially and then possibly Hastings House into bedroom accommodation for use by the police forces during their courses. This could potentially be a significant element of income.

Part of the subject property are the casements, some of which are currently in the process of being refurbished with further additional refurbishment planned on other casements. These are being converted into offices and actually will be attractive as artisan type accommodation, for which a premium rent may well be secured.

13 Local Taxation

The Property is subject to a number of rating assessments which are illustrated in the table below:

Demise/Address	Description	Rateable Value (£)
Immigration Removal Centre, The Citadel, Western Heights, Dover	Immigration Removal Centre	£445,000

The current multiplier, for the financial year 2022/23, is 0.512 for larger businesses and 0.499 for small businesses (RV of less than £51,000). The rates payable may be subject to relief and / or phasing provisions.

The Rating (Empty Properties) Act 2007 introduced legislation resulting in the owners of vacant premises becoming liable for business rates after an initial void relief period of 6 months for industrial premises or 3 months for other Property types. There are some exceptions to include Listed buildings and premises with a very low rateable value.

We understand from speaking to the Client that it has been agreed with the Council that Business Rates will not be paid on the property immediately after purchase on the assumption the property is developed.

We understand that Business Rates will be phased back in over time / re-assessed as the proposed development progresses.

On the basis of the above we have made no allowance for 'empty rates' in our valuation. However, we would note that we have seen no written confirmation from the Council regarding the above arrangement and would advise this to be confirmed prior to purchase and or lending.

14 Tenure

We are instructed to value the freehold interest in the Property.

We have not inspected the deeds of the Property and for the purposes of our valuation have assumed that they contain no onerous terms, restrictions, covenants, encumbrances or outgoings that would adversely affect the usual value and that good title can be shown.

We have assumed that the Property and its value are unaffected by any matters which will be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the Property nor its condition, nor its use, nor its intended use is or will be unlawful.

15 Tenancies

The property has been occupied for a number of short-term uses since its purchase. However, there has been no security of tenure associated with any of these uses and therefore we have valued the property on the basis of vacant possession.

16 Covenant Strength

N/A. The subject property is currently vacant.

17 VAT and Taxation

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We are not currently aware if VAT will be payable on the price reported.

18 Current Reinstatement Cost

The subject property is a heritage asset containing a Grade II listed element.

Given the nature of the property we are unable to provide an indicative re-instatement value. We would advise that specialist knowledge is required to do as much. Should a re-instatement cost be required for insurance purposes we would advise that the Client appoint a professional with the specialist knowledge and experience required.

19 Valuation Considerations

19.1 Sale Price

The property is not being sold.

19.2 Location / Situation and Competition

The subject property is located to the west of Dover town centre in an elevated position. The setting of the property provides exceptional views of the English Channel and the Port of Dover. Transport links are good with the train taking approximately one hour to London St Pancras by virtue of joining the HS1 line at Folkestone.

19.3 Building Design / Condition / Suitability

There is approximately 220,000 sq ft of existing accommodation at the property. However much of this is in poor condition and will require either refurbishment or redevelopment before attracting good demand from prospective occupiers.

19.4 Site / Environmental Issues

None so far as we are aware.

19.5 Planning / Statutory Issues

None so far as we are aware.

19.6 Tenure

Freehold with vacant possession.

19.7 Income Security and Tenant Quality

The site currently benefits some short-term income but there is little in the way of tenure security.

19.8 Letting Prospects

We would consider most of the existing accommodation to receive reasonable demand subject to refurbishment.

19.9 Recommendations

- We would advise that the areas provided for the ancillary accommodation are verified by way of a formal survey. They are currently no more than a (conservative) estimate.

- We have been advised by the Client that Business Rates will not be payable on the property. We understand they will be phased back in over time as the proposed development progresses. We understand this has been agreed with the Council however we have not seen confirmation of this. We would recommend prior to purchase and / or lending this is confirmed with the Local Council.

20 Market Conditions

20.1 Economic Outlook

The rapid appointment of Rishi Sunak as Prime Minister and reversal of many of the measures outlined in September's 'mini budget' have helped to bring much-needed political and financial market stability. A key concern following the mini budget was that fiscal and monetary policy were pulling in opposite directions, with tax cuts aimed at stimulating demand, and rising interest rates aimed at dampening demand to control inflation. The Government and the Bank of England now appear to be broadly aligned.

Meanwhile, the supply side of the economy continues to be a cause for concern. Issues include ongoing disruption to global supply chains (not helped by further lockdowns in China), Brexit-related challenges for UK exporters, and an undersupply of labour – although there are signs that some of these supply pressures are now beginning to ease. Supply constraints, together with the significant impact of global energy prices, continue to drive high inflation. CPI Inflation has climbed to 10.1% (12 months to September).

Economic growth has stalled, and it seems apparent that the UK economy is now on the brink of recession. Output fell by 0.3% in August, and is also likely to have fallen in September, particularly given the additional bank holiday. Output will therefore have declined in Q3 overall, and is now likely to continue falling well into 2023. The Bank of England increased Bank Rate by 75 basis points to 3.0% in early November. Further rises in the Bank of England base rate are inevitable in order to bring inflation down, with the Bank now expecting the rate of CPI to peak this year at almost 11%.

Households are facing rising mortgage costs, significantly higher prices for essential items, and a further rise in energy bills next year, with the Energy Bills Support Scheme now scheduled to finish at the beginning of April 2023. This, together with the broader economic and political backdrop, is having a marked impact on consumer confidence, which remains at a near-record low, and is reflected in the latest gloomy retail sales figures. The labour market remains a bright spot from the point of view of households, with a further fall in the unemployment rate to another record low. However, unemployment is now likely to rise as output contracts.

Other sources of demand in the economy are unlikely to fuel growth. Government spending is now under even more intense pressure due to the elevated cost of servicing public sector debt following the mini budget; and business investment will remain subdued due to economic uncertainty coupled with elevated costs of capital. UK exports may benefit to an extent from the weaker value of Sterling (particularly against the US Dollar), but will continue to be hampered by Brexit-related constraints and weaker growth in many of our overseas markets.

The Autumn Statement due on 17 November (the medium-term fiscal plan delayed from 31 October) is likely to set out a series of both tax rises and public spending cuts. It will be watched closely for its impact on growth, inflation and financial markets.

Recent output trends

GDP fell by 0.3% in August (month on month), below the consensus expectation of zero. The main contribution came from production which declined 1.8% in August following a 1.1% fall in July. Manufacturing (a sub-sector of production) alone declined by 1.6%. Services also declined slightly, falling 0.1% on the month with arts, entertainment and recreation output declining by a sizable 5%, reflecting consumers who are reining in discretionary spending.

September's S&P Global / CIPS UK Manufacturing PMI points to the second month in a row of contraction, with a reading of 48.4. New business orders dropped for the fourth month in a row while new exports fell by the largest figure since May 2020. Exporters cite worries of rising inflation and the cost-of-living crisis as reasons for orders and new business declining. Employment, on the other hand, continued to rise with businesses saying they are now finding it slightly easier to fill vacancies.

The services PMI has only just avoided contraction by posting a flat '50' in September, down from 50.9 in August and the lowest figure since March 2021. Feedback from the sector is that client demand is shrinking rapidly due to squeezed household budgets and rapidly rising external costs and inflation. Jobs growth has reportedly slowed and input cost inflation has decelerated for the fourth consecutive month.

Construction output on the other hand indicated a modest rise in September as the UK Construction sector PMI moved to 52.3, up from 49.2 in August. House building grew to a five-month high while commercial work also increased. Rather than demand increasing, supply chain issues appear to be easing greatly, thereby reducing backlogs and increasing output. Indices are showing the shortest wait-times for raw materials in over 2½ years while staff shortages are also now easing.

Labour market

Employment figures rose again in the three months to August, to 75.5%, while unemployment fell once again to its lowest level since 1974, at 3.5%. This is also now the third consecutive quarter where job vacancies have decreased (down by 46,000 on the quarter to September), but despite this the number of job vacancies remains at historically high levels.

We expect that into next year firms will be hiring less and possibly reducing employment to combat rising external costs. As a result, unemployment will rise. The Bank of England's latest projection suggests the rate could almost double to just under 6.5%, although this is well above the latest consensus view of 4.4% by the end of 2023. Whilst this is clearly bad news four household incomes and consumer confidence, it will translate to lower pressure on businesses to raise wages, and also help to ease of labour shortages.

Wages grew by an average of 5.4% (excluding bonuses) in the three months to August, buoyed by a strong increase of 6.2% in the private sector compared with an average of 2.2% in the public sector. Despite these being some of the highest growth rates (outside of the pandemic), in real terms regular pay has fallen by 2.9% when adjusted for inflation. This is now one of the largest falls since records began in 2001.

Inflation

CPI inflation rose again, reaching 10.1% in September, up from 9.9% in August. The largest upward contribution again came from electricity, gas, motor fuels, food, and non-alcoholic beverages. And although still high, inflation from petrol has decreased recently, but its downward contribution was offset by rapidly rising food prices.

The Bank of England now expects CPI inflation to peak at nearly 11% in October, compared with its previous expectation of 13.3%, due to the introduction of the Energy Price Guarantee. It then expects inflation to remain close to 11% throughout the rest of Q4, easing towards 10% in Q1 2023. The October consensus forecasts compiled by HM Treasury suggest CPI of 10.3% in Q4 this year, falling to 4.7% by Q4 2023, still well above the Bank of England's 2% target.

There is clearly much uncertainty around the level at which inflation will peak and how long it will take to fall, as this is highly dependent on the path of global energy prices, and the extent to which economic output falls. Other uncertainties include global supply chain pressures, possible further significant movements in value of Sterling (which affect the cost of imports), and the risk of a wage-price spiral developing.

Interest rates

The Bank of England Monetary Policy Committee (MPC) raised Bank Rate by 75 bps to 3.0% in early November. Only two of the nine members of the Committee dissented, both preferring a lower increase. Although global energy and commodity prices remain a significant factor in high inflation, the MPC highlighted the tight UK labour market, with continuing signs of firmer inflation in domestic prices and wages.

Normally, the Bank would be cutting interest rates to counter an economic downturn, and the reverse being true reflects the severity of the inflationary problem. Indeed, the Bank suggests the possibility of two years of falling economic output, with recovery pushed back to the second half of 2024 (although this is predicated on Bank Rate rising to around 5% in line with market expectations, well above where the Bank itself expects interest rates to peak).

However, further rises in Bank Rate seem inevitable, probably to around 4%-4.5%, as the Bank tries to bring CPI inflation back towards its target of 2.0%. The next MPC meeting is scheduled for 15

December, when it will also take into account any inflationary impacts from Government's Autumn Statement.

Commercial property outlook

The commercial property sector is operating within the context of the second economic contraction in three years, a rapid rise in the costs of debt, and high inflation, together with the ongoing long-term structural shifts in demand precipitated by the pandemic.

In its Q2 2022 UK Commercial Property Survey, the RICS reports an aggregate net balance of +17% of respondents seeing an increase in tenant demand during Q2, down from +32% in Q1. Occupier enquiries fell for retail space and only grew modestly for offices, whilst industrial demand remained very strong at +49%, albeit below recent highs. Both the office and retail sectors continued to see a rise in availability, with net balances of +22% and +27% respectively, but supply in the industrial market continued to tighten, with a balance of -35%.

Respondents to the RICS survey expect prime and secondary industrial rents, as well as prime office rents, to rise over the next 12 months (although expectations are less buoyant than in Q1). Unsurprisingly, secondary office rents, prime and secondary retail rents are expected to fall, and again, the outlook has deteriorated compared with Q1.

Overall, the commercial market remains characterised by a dearth of the quality supply that occupiers now require in sectors such as offices (key city centres), last mile delivery and distribution warehousing. With developers facing elevated building costs, supply chain challenges and economic uncertainty, we do not expect a significant increase in construction levels, and the lack of stock will continue to act as a constraint on take-up.

20.2 Office Market Commentary

Rising inflation is creating greater cost pressures for corporates, which is likely to further increase the focus on cost reduction and productivity. Although corporate real estate is the second highest cost after salaries for many businesses, the provision of high-quality space can also help to increase productivity. This, together with the longer-term impacts of the working from home revolution, means that many businesses continue to assess their real estate footprint, and are placing an ever-greater emphasis on smaller but higher quality space.

Whilst there is a large quantity of office stock available, much of it does not meet the requirements of today's occupiers, and a two-tier market is increasingly apparent. In many locations, a shortage of quality space rather than occupier demand is holding back take-up, and the modest amount of speculative development in the short-term pipeline is unlikely to change this picture.

The flexible space market (or serviced office sector) continues to benefit as more occupiers are looking for flexible short-term leases due to the lack of certainty over future office space requirements, with many companies remaining cautious about committing to new space. This is encouraging flexible space operators to take more space.

Despite uncertainties around future levels of office occupation, we have not seen any falls in prime rental levels in our key locations. Indeed, many major city centres have seen prime rents continue to climb, and are above their pre-pandemic levels.

The resilience of prime rents reflects the increasing focus of occupier demand towards top quality space, driven by the desire to create a vibrant and attractive work environment to encourage employees back to the office and assist with recruitment, retention, and productivity strategies, as well as staff health & wellbeing issues. In addition, there is a greater focus on buildings that are sustainable and energy-efficient, as occupiers try to meet increasingly ambitious ESG aspirations.

The current dearth of new development will mean continued upward pressure on prime rents, and the gap with rents for poorer quality grade B stock is likely to widen further.

Many owners in smaller towns and city suburbs have been taking advantage of permitted development rights over the past decade and have converted empty secondary office buildings into alternative uses (especially hotels and residential), which has meant that many markets have lost office stock on a net basis in recent years. This trend is likely to continue, especially as new environmental regulations will make many office buildings unoccupiable in the coming years, and will reduce the overall supply.

Following a modest fall of just -0.8% during the pandemic, average UK office rental values have increased by 1.9% (from November 2020 to September 2022) and are now 1.0% higher than their pre-pandemic peak (MSCI Monthly Index, September). Average office rental values have risen by 0.4% over the last three months (to September, MSCI).

Average rental value growth for standard offices in the 12 months to September 2022 was 0.7% in central London, 1.0% in suburban London, 1.8% in the Outer South East, and 1.9% in the rest of the UK. UK office parks saw growth of 1.5% (MSCI).

20.3 Hotel Market Commentary

Not surprisingly, the onset of the pandemic has had a very significant impact on the hotel market worldwide and in the UK with long periods during which hotels were unable to function at all. As government restrictions have eased, there has been a sense of ‘cautious optimism’ in the sector with occupancy rates and activity increasing with UK staycations expected to remain fairly robust.

London is expected to reach occupancy levels in the region of 62-96% of pre-pandemic levels and the regional areas expected a more positive bounce back with occupancy rates reaching between 73-105% of pre-pandemic levels by the end of 2022 but depends on the rebound to the sector as according to PwC Hotel Forecast. Revenue per available room (RevPAR) is expected to be lower with hotels in the Regions expected to reach between 64-100% of pre-pandemic levels whilst London’s RevPAR to reach between only 43-86% of pre-pandemic levels by the end of 2022

The industry is also facing a number of structural issues with regard to the hotel market. The principal one of these is a significant staff shortage, which UK Hospitality estimate to be in the region of 188,000 vacancies. This has resulted in hotels having to reduce their level of service that they can offer. As a correlate of this, in order to attract staff their wage costs are increasing by approximately 25-30% as well as the added pressure of increase in costs for both food and energy cost inflation.

Operators will also have to navigate away from government assistance to self-efficiency with many of the schemes provided by the government winding down such as the recovery loan and furlough scheme. 31st March 2022 saw business rates relief change with eligible businesses with a 50% rates relief applying from 1st April 2022 to 31st March 2023, up to a cap of £100,000 per business. March 2022 also saw VAT rate revert back to 20% having already been increased in October 2021 at 12.5%.

In terms of the investment market, the market declined by approximately 70% in 2020 but there has been signs of recovery in 2021 with a substantial uplift in enquiries. Research by Knight Frank showed that the hotel market recorded £4 billion of transactions in 2021, up from £1.9 billion in 2020 which has provided long term optimism for the sector. One of the largest deals in 2022 so far has been the Kings Park acquisition of the Inn Collection hotel portfolio of 31 properties being sold in the region of £300 million.

Yields, however, have remained relatively static with prime yields being just under 4% on hotels held as investments and 4.25% in the regions, according to CBRE. They also indicate that for hotels subject to a management contract yields have hardened slightly from September 21 to February 2022 in London and are currently now around about 5.50% with the yields being 7.75% in the regions.

According to Knight Frank, 2022 is expected to see an increase in quality of stock becoming available with Private Equity investors to play a major part in the capital flow. The corporate market, with assets located in large regional gateway cities and towns, are likely to benefit from the current favourable and opportunistic investment window.

20.4 Residential Market Commentary

The recent turmoil in financial markets precipitated by the mini budget has calmed somewhat with the reversal of many of the proposed tax cutting measures and a renewed focus from the new Chancellor on balancing the government's books. However, the political turmoil is far from resolved, the UK economy is on the brink of recession, and further rises in the Bank of England base rate are inevitable.

All this is feeding through to consumer confidence, which remains at a near-record low, and is reflected in the latest gloomy retail sales figures. The labour market remains a bright spot, with a further fall in the unemployment rate to another record low.

In the residential market, house price growth is still robust, but the pace of growth is clearly decelerating. This is driven mainly by slowing buyer demand (in the face of rapidly rising mortgage rates) as the lack of supply is what is propping up price rises. The rental market is also showing strong rental growth and again, a lack of supply in this market is behind this and forcing many would-be tenants to wrestle over dwindling availability.

Consumer confidence remains well entrenched in negative territory even though it moved up two points to -47 in the last four weeks. The Major Purchase sub-Index fell a further three points, further enforcing a downward trend that began in July 2021
.
The Manufacturing Purchasing Managers Index (PMI) contracted for the second month in a row while the Services PMI remained flat at '50'. Construction PMI on the other hand grew to 52.3 but this increase seems to be due to supply chains finally loosening after years of backlogs and long wait times, rather than any increase in demand.

Motor fuel and petrol price inflation continues to soften but it is still high and one of the main contributions to inflation in September, together with rising energy costs and food prices. Overall CPI inflation grew by 10.1% annually.
Unemployment fell to a record-low 3.5%, although job vacancies declined for the third quarter in a row. Wages also continue to grow, averaging 6.2% annually in the private sector, although this is wiped out by the record-high rates of inflation.

Average house price growth has now fallen slightly below the double-digits for the first time in many months. Nationwide and Halifax recorded 9.5% and 9.9% annual growth, respectively. For Nationwide, this was the lowest rate of growth since April 2021.

There was an unexpected jump in mortgage approvals in August, according to the Bank of England. But this was mainly as households rushed to secure mortgages before the expected jump in interest rates in the coming months.

Annual rental growth continued to climb in September, up 9.2% according to HomeLet. Demand in the lettings market in September is traditionally strong which may partly account for the rise, including monthly growth of 2.5% in London.

Sale Prices and Rents

House prices grew by 9.5% on an annual basis, according to Nationwide's September data. This is down only very modestly over August's 10% figure but marks the first time growth has been under 10% since October 2021 and is the lowest figure since April 2021. On a monthly basis prices were unchanged. Regionally, the South West again remained the strongest performer with annual growth of 12.5% although this is down from 14.7% in the second quarter. This was followed by the East Midlands (12.3%), and Wales (12.1%) while London again recorded the lowest growth of 6.7% (although this marks an increase from 6.0% in Q2).

Halifax's September annual growth figure largely matched that from Nationwide at 9.9%. On a monthly basis prices fell by 0.1%, meaning a typical property in the UK is now £293,835. The report goes on to say that annual inflation slowed in all but one region (the North East) during September. Wales was top of the price growth table at 14.8% while London was at the bottom, showing the slowest rate of annual growth of 8.1%.

September's asking prices rose by an annual average of 8.7% according to Rightmove (four weeks to early September). This is up from 8.2% in August and reflects a 0.7% rise on a monthly basis. The report notes that it is the middle to high-end sectors that are driving price rises this month, with strong demand still coming from 'second-steppers' seeking larger homes and more space.

According to Rightmove, average asking prices have increased by around 7.8% over the same period last year, down from 8.7% last month. On a monthly basis, though, October prices were still rising, up by an average of 0.9% over September. Their report notes that there is no evidence that prices on existing properties for sale are declining.

Official house price growth figures from the ONS show that house prices grew by an average 13.6% in the 12 months to August, down from 16.0% in July. On a monthly basis prices grew by an average of 0.9%. The average UK house price is now £295,903, reflecting a nearly one-third increase since the start of the COVID pandemic in March 2020.

Regionally, there was double-digit price growth in every UK region and country apart from London, with the strongest growth yet again seen in the South West (17%) followed by the East Midlands (16.9%) the North West (15.3%) and the South East at 14.8%. London was again at the bottom of the table with average house price growth of 8.3%.

In our Carter Jonas locations house prices grew by an average of 14% in the year to August, with Devon recording 18% increases followed by Cambridgeshire (16.9%), Dorset (16.8%) and Harrogate at 16.5%. Harrogate also posted a punchy monthly growth figure of 4.6%. Of our 21 tracked locations there are now just two areas left where house prices average below £300,000: North Northamptonshire (£276,678) and Leeds (£240,854). Compare this with two years ago when 12 of our locations were posting average prices below £300,000.

There is little change in the house price growth story across London this month: the outer London suburban locations again posted stronger growth (9.7%) than those of the inner boroughs (5.7%). Harrow again topped the table at 15.9% growth followed by Southwark (14%), Barking and Dagenham

(13.4%) and Bromley (12.4%). Four locations recorded falling house prices over the last 12 months (Westminster, Kensington and Chelsea, Hammersmith and Fulham, Camden) which are the same locations with the highest average London house prices.

Again, this month the RICS residential market survey notes that although activity seems to be losing steam, prices are still rising, albeit the pace of growth has slowed. The lack of supply is clearly underpinning prices, with a net balance of +32% of respondents saying prices had continued to rise over the last three months (although this is down substantially from a peak of +78% in April 2022). Going forward though the picture has turned negative with a net balance of -18% of survey participants expecting a fall in prices over the next 12 months.

HomeLet's September rental report indicates a national average rental growth rate of 9.2% over the last 12 months, a somewhat surprising increased from last month's 8.5%. Regionally, Northern Ireland has posted the highest annual rental growth of 14.6%, followed by Scotland (14.2%) and the South West (11.5%). Rents in London have grown by 11% annually and a strong 2.5% on the month.

Activity

There was a surprise jump in mortgage approvals in August, to 74,340 according to the Bank of England's latest data. This is an increase of nearly 17% over July's figure and is the highest number of approvals since January. However, rather than being a sign of any increase in demand this is rather reflective of the number of households rushing to get their mortgage approved before the expected rise in interest rates through the latter months of 2022.

Provisional figures for August found that property transactions reached 104,980, up marginally from July's figure of just under 104,000. This figure is still slightly above the pre-COVID long-run average, and while it seems that transaction activity is holding up well, these exchanges would have been negotiated and accepted months before.

The latest Rightmove House Price Index noted that demand from first time buyers is down 21% compared with the same two-week period last year as this group are more exposed to rising external cost pressures and interest rates. Having said that it is still 24% above the 2019 pre-pandemic average. Of all buyers, demand is still 20% higher than back in 2019 but is down 15% compared with the same two week-period last year (early October).

Buyer demand continues to decline according to the latest RICS residential survey, with a net balance of -36% citing a fall in enquiries. New instructions have also fallen to historic lows with an average of just 34 available properties available per agent / branch. Looking ahead the picture is no less austere with both sales expectations and market appraisals returning firmly negative responses at -30% and -20%, respectively.

Demand in the rental market is still robust according to the RICS survey, with a net balance of +42% of contributors noting a rise although this is down from +50% last month. Yet again though landlord instructions continued to fall with a reading of -13% of respondents (unchanged over September's reading).

The increase in rental growth in September recorded by HomeLet points to some early signs that there may be more households opting (or being forced) to stay in the rental market due to rising mortgage rates and the increasing unaffordability in the owner occupier market. This, coupled with more and more landlords choosing to leave the sector is resulting in yet further divergence in the supply demand imbalance.

The number of new tenant registrations per member branch rose yet again in August, to a new peak of 141 according to ARLA Propertymark's September Housing Insight. At the same time, the supply of available properties has remained flat for the last three months at just 11 properties per branch. This imbalance continues to put upward pressure on rents, with 77% of agents reporting rent prices increased during August.

21 Valuation Approach and Reasoning

Notwithstanding the aspirations for the subject property with regards to the wider redevelopment, we have elected not to value the asset on this basis. While initial discussions with the relevant shareholders and public bodies have been encouraging, a planning application for a proposed scheme has yet to be submitted. Furthermore, having spoken at length with the Borrower and their advisors it is clear that the exact makeup of the proposed scheme is yet to be finalised in terms of mix of uses, unit sizes etc.

Therefore, on the basis of the above, we have approached our valuation of the subject property primarily on the basis of the existing use, while we have also supplemented this value by considering some of the easy planning wins or 'low hanging fruit' associated with the property. This has resulted in the valuation the following key elements:

1) Existing Accommodation Value (Citadel & Western Heights Accommodation)
2) Administration Block (Former Offices Mess) – Hotel Conversion
3) Residential Development Plots
4) Current Short-Term Income

The value we have reported is an aggregate value of the above elements. We have assessed the value of each element in isolation as reported below.

21.1 Existing Use Value

There is approximately 217,371 sq ft of existing accommodation at the subject property. This ranges from larger purpose-built accommodation such as Rye House and Deal House to smaller stores and sheds which can be no more that 20 or 30 sq ft. We would consider much of this existing accommodation capable of attracting reasonable demand and being rentalised on the basis of office use and have approached the valuation on this basis.

We have considered a number of local office transactions in Dover and the surrounding area. Below is a table of evidence:

Address	Date	Size (sq ft)	Tenancy Details	Rent (pa)	Rent (sq ft)	Comment
West Cliff House, Folkestone	January 2021	2,252	5-year term, break at Year 3.	£25,000	£11.00	3 months' rent free.
17 New Dover Road, Canterbury	January 2021	2,278	10-year term, tenant break at Year 5.	£33,000	£14.48	Period property.

48 New Dover Road, Canterbury CT1 3DT	3,205 sq ft	Oct-22	TBC	£41,825	£13.05	Refurbished period building in Canterbury. Secondary but more established office location
Third Floor, Atina House, 5-7 Bench Street, Dover CT16 1JH	2,237 sq ft	Jun-22	Five year term Third year rent review Annual mutual breaks	£13,500	£6.03	Closest comparable to subject property. Secondary office near to town centre
Fourth Floor, The Civic Centre, Castle Hill Avenue, Folkestone CT20 2QY	1,167 sq ft	On the market	TBC	£11,750	£10.00	1960s style office building in Folkestone. Average quality office accommodation
127 Sandgate Road, Folkestone CT20 2BH	701 sq ft	Apr-22	TBC	£16,000	£23	Appears to be a refurbished office in the centre of Folkestone
Panorama, Ashford TN24 8EZ	5,072 sq ft	Under Offer	TBC	£60,865	£12.00	Purpose built office building in Ashford built c.1971 and refurbished around 2016

As is apparent from the above evidence, Dover is not a strong office location. There has been a dearth of recent transactional evidence while there is also limited stock available and little in the way of recent developments increasing the supply. Much of the existing accommodation would be considered to be Grade B in terms of specification, regardless of if the property was purpose built or a period conversion.

Given the sparsity of evidence in Dover we have had to consider other markets including Folkestone, Canterbury and Ashford. However, we would note that Canterbury and Ashford are significantly stronger office markets than Dover. Folkestone is more comparable but has undergone some significant regeneration in recent years which has increased to the supply and quality of accommodation in this location.

The highest rents achieved recently that we have been able to find evidence of are between £130 to £23 per sq ft in Canterbury and Ashford, but in Dover there is nothing on the market quoting over £10 per sq ft. Local agents Caxton are of the opinion there has been no rental growth in Dover for the past 4 years and that prime rents are no more than £10 per sq ft. We would note that headline rents being quoted at Discovery Park, Sandwich, a hugely success commercial and tech development, are currently just £15.00 per sq ft. We note that there have been expressions of interest from potential tenants on the subject property at around £17.50 per sq ft. However there has been no formal offer made so we have treated this fact with caution at this stage.

On the basis of the above, subject to a light-touch refurbishment, we would consider the best accommodation at the subject property capable of achieving a headline rent of approximately £5.50 per sq ft. However, some of the poorer accommodation would receive as little as £2 per sq ft or in some cases would not even be rentalised.

The schedule of areas we have been provided with has provided areas on a GIA basis. However, B1 and office accommodation is assessed on an NIA basis. We have therefore been through each building in isolation, studied the plans and the layout, and adopted a net to gross ratio of between 70% and 100%. Each building has also been rentalised on a separate basis, taking into account layout, existing layout, and the location in the context of the site. We have excluded any buildings that are too small to be rentalised in isolation.

Part of the demise are the casements. Some of these are in the process of being refurbished as offices We note that the Citadel Dover Limited are looking to secure rents of circa £15 per sq ft on this accommodation, however, bearing in mind the level of rents currently achievable in Dover and other parts of south east Kent, and the current market uncertainties, we have taken a cautious view and placed a rent on this newly refurbished accommodation which should be better than anything else available in Dover, at £12.50 per sq ft.

The above results in a total Market Rent of £839,200 per annum.

A summary of rents is below:

Building	Net to Gross %	£psf	£ per annum
Boiler House (Admin.)	N/A	N/A	£0
Rye House	75%	£5.00	£62,300
Deal House	80%	£5.00	£66,300
Main Stores & Visitor Centre	80%	£5.50	£39,400
Cabin	100%	£2.00	£700
Workshops	80%	£5.50	£10,400
Barn	100%	£3.00	£2,500
Stores	100%	£2.00	£400
Health Mobile	80%	£2.50	£800
Health Care Centre	80%	£4.50	£9,800
Gate House	75%	£2.50	£4,600
Switch Room	80%	£2.00	£900
Visitors Reception	80%	£3.00	£3,700
Stables	N/A	N/A	N/A
Romney House	80%	£4.50	£36,800
Ces Stores	80%	£2.00	£800
Sports Building	80%	£5.00	£16,100
Gymnasium	90%	£5.50	£14,200
Cleaning Store	N/A	N/A	N/A
Internal Garden	N/A	N/A	N/A

Tower	N/A	N/A	N/A
Store Room	N/A	N/A	N/A
Chapel & Stores	80%	£6.00	£40,700
Works Department	80%	£4.50	£28,700
Garage	N/A	N/A	N/A
Shed	N/A	N/A	N/A
Fuel Store	N/A	N/A	N/A
Education Building	80%	£6.00	£37,500
Staff Rest Room	N/A	N/A	N/A
Segregation Unit	80%	£4.50	£12,000
Dining Hall & Kitchen	80%	£5.00	£42,400
Victualling Store	80%	£4.00	£3,900
CIT Painters	80%	£6.00	£11,300
CIT Bricklayers	80%	£6.00	£14,000
CIT Plumbers	80%	£6.00	£13,300
Canoe Shop	80%	£4.00	£2,600
Store 1	N/A	N/A	N/A
Store 2	N/A	N/A	N/A
Store 3	N/A	N/A	N/A
Store 4	N/A	N/A	N/A
VT Mech'L Services	80%	£5.50	£17,300
VT Welders	80%	£5.50	£13,300
Wire / Computer Shops	N/A	£4.50	£10,000
VT Motor Mechanics	N/A	£5.50	£16,600
VT Motor Mechanics Store	N/A	£2.00	£900
Bridge Store	N/A	N/A	N/A
Bridge Shed	N/A	N/A	N/A
Skilled Ops	90%	£5.50	£28,500
Plant Room	90%	£5.50	£25,400
CIT Carpenters	90%	£5.50	£27,700
CIT Plasterers	90%	£5.50	£23,400
South casement		£12.50	£100,000
North Casement		£12.50	£100,000
Total			**£839,200**

In addition to the above we have had to make allowance for refurbishment costs. Having taken advice from Carter Jonas' building surveying team we have adopted a rate of £30psf. There are varying levels of accommodation within the subject property, but this is considered reasonable as an average rate to replace floors and windows, repaints the walls, install / replace appropriate services, trunking, lighting etc. and convert existing buildings where required. The specification would be relatively basic, and not include air-conditioning or air cooling, and this is reflected in the adopted rents.

In addition to refurbishment costs, we have also had to make allowances for a letting void and letting costs given that the subject property is currently vacant. Finally, we have also included a 10% rolling void in our calculations. As discussed previously, Dover does not have a particularly strong office market, and while demand for accommodation at the subject property should be reasonable, over 200,000 sq ft of accommodation is a lot of space to bring to the market at any one time. We have therefore considered it prudent to maintain a rolling void. On advice from the Client, as discussed earlier, we have made no allowance for empty rates.

In terms of investment evidence there have been no transactions in Dover. We have therefore expanded our search and included other sub-markets within the county of Kent.

Address	Date	Tenancy	Price	Yield	Comment
7-9 Church Road, Wellington Gate, Tunbridge Wells	Aug-22	-	£6,875,000	6.22%	Let to an unknown tenant at a passing rent of £456,452 per annum with a WAULT of 6 years
49 Sandgate Road, Folkestone	Jun-22	-	£3,900,000	6.70%	Office and retail building in Folkestone
Colman House, King Street, Maidstone	Sep-21	Multiple	£11,000,000	7.62%	Portfolio sale - office element reflects £4,470,000
Anchor Boulevard, Dartford	March 2021	Single let to Westbury Homes, expiring 2023. Passing rent £306,643 pa.	£3,100,000	9.29%	14,916 sq ft office building.
Heathervale House, Tunbridge Wells	Aug-21	-	£12,520,000	5.56%	Refurbished 28,000 sq ft office building in centre of Tunbridge Wells let to a single law firm tenant
23-25A Pudding Lane, Maidstone	May-21	Mutiple	£495,000	8.00%	Investment sale of office building in central Maidstone
Fosse House, High Street, Tonbridge	January 2021	Fully let to two excellent quality tenants (The Charity Bank and First Actuarial LLP) with a rent of £196,440 pa.	£2,600,000	7.24%	9,909 sq ft office building

We have given due consideration to the above evidence.

It is clear that the Kent office market is not as strong as some other south eastern locations, with a yield range of between 5.56% and 9.29%. However, we would note that the majority of transactions are for relatively short-term income while a recent lack of rental growth has meant none of the assets are reversionary

The subject property is currently vacant and in a location where rents are low. However, success of the proposed scheme will almost certainly have a 'placemaking effect' on the local area which will stimulate future rental growth, and this growth would be built into the adopted yield by potential investors. The rents being achieved at Discovery Park, Sandwich, which prior to the establishment of the park would have been considered a secondary location relative to Dover, are indicative of this.

On the basis of the above, taking into account the vacant nature of the subject property, the additional capital expenditure required and the wider context of the Dover market, we have adopted an equivalent yield of 8% or 8.5% depending on the nature of the accommodation. We have also allowed for £1m of conversion/refurbishment costs for the North casement. This results in a Market Value of £2m for this element of the subject property and reflects a reversionary yield of 9.31%.

21.2 Administration Block – Hotel Conversion

We have undertaken our valuation on this element of the demise assuming conversion to a hotel.

Our opinion of the GDV is based on a trading analysis, informed in part by the proposal from Malmaison and their projected figures. We have however assumed a that there will be no extension of what is a Grade II listed building and estimated that the hotel could be converted to provide a total of 54 rooms and additional ancillary leisure accommodation.

We have assumed that occupancy rates will stabilise at 80% and the ADR rate will be £88 rising from £80 per night. Applying a discount rate of 9% and terminal yield of 10% this results in a Gross Development Value of £8,000,000 (£148,000 per bedroom).

We have then undertaken a residual appraisal to arrive at a site value as is of £1,435,000.

The principal variables in our appraisal are summarised in the table below:

Cost	
GDV	£8,000,000
Construction Costs @ £60,000 per room	£4,344,000
Developer's Contingency @5%	£217,000
Professional Fees @ 10%	£434,000
Landscaping	£500,000
Disposal (Sales and Legal)	£120,000
Total Finance @7%	£314,431

Profit Rate	10% (£727,000)

We are aware that a profit allowance is not normally made in Hotel residuals, however we have made a profit adjustment to reflect the fact that there is planning risk.

Included in the table below are a number of sales of hotels.

The Conningbrooke Hotel, Ashford TN24 We understand that this 29 bedroom hotel was sold in December 2021 to Redcat Inns Limited for £3,199,407, equating to £110,325 per room. Sold as a portfolio with The Royal Wells Hotel, Tunbridge Wells	
The Royal Wells Hotel, Tunbridge Wells TN4 We understand that this 27 bedroom hotel was sold in December 2021 to Redcat Inns Limited for £2,482,872, equating to £91,960 per room.	
The Georgian Coppa Club, Haslemere, Surrey We understand that this 18 bedroom hotel was sold in December 2020 for £4,625,000, equating to £355,770 per room. We understand the property trades as a boutique hotel with a restaurant and bar. We understand that that the part of the land purchased included a residential development site.	

Lythe Hill Hotel & Spa, Haslemere, Surrey We understand that this 43 bedroom hotel and spa sold in 2022 for an undisclosed amount. We believe it was sold through Christie & Co and it was on the market for £6,250,000 which equates to £145,350 per room.	
Ghyll Manor, Horsham, Surrey According to a press article this 29 bedroom hotel was purchased by Brakspear at the start of 2022. It was listed to be auctioned by Allsop at a guide price of £1,250,000 plus which equates to approximately £43,103 per room but was sold prior to auction. We understand that the hotel had been closed for some time prior to the sale and was sold with vacant possession. We understand that Brakspear are planning a major refurbishment prior to reopening.	
Tottington Manor Hotel, Henfield, West Sussex This 12 bedroom hotel was on the market for £1,450,000 in 2021 which equates to £120,830 per room. Costar suggests it was sold in 2021 for £1,700,000	

Sands Hotel, Margate We understand this 20 bedroom hotel located on the seafront in Margate was sold late 2021 for £2,357,000, equating to £117,850 per room.	
Cooden Beach Hotel, Bexhill on Sea, East Sussex According to a Christie & Co press release this 41 bedroom hotel was sold in April 2021 off a guide price of £6,900,000, equating to £168,292 per room. It is a 4 Star beachfront hotel.	

In our opinion bearing in mind the superior location overlooking the sea a gross development value of £148,000 per room is more than justified by with reference to the above comparable evidence.

21.3 Residential Development Plots

There are two plots that while located outside of the Citadel, are included within the subject property's demise. Both plots are regular and level, located to the immediate east and west of the core site. They are 1.946 and 2.336 acres respectively which provides a total area of 4.282 acres. Both plots of land are considered suitable for residential accommodation on the basis of surrounding uses.

We have undertaken a residual appraisal on the above sites on the basis of residential development.

We have made some assumptions surrounding the makeup of any proposed scheme. Taking into account the location and existing residential accommodation surrounding the sites we have discounted flats as a potential use on the basis of massing and undertaken the valuation on the basis of a development of houses. We have assumed the houses will be three bedroom terraced and semi-detached properties.

With regards to the potential size of the accommodation we have consulted the Technical Housing Standards document published in 2015 by the Department for Communities and Local Government. This indicates that for a two storey, three-bedroom property the minimum required space is 93 sqm / 1,000 sq ft. We have therefore adopted this as our unit size. We have assumed a site density of 15 units per acre which results in a total of 64 units across both developments.

We have looked to establish the Gross Development Value of the basis of the below evidence:

Address	Date	Price	Size sq ft	Comment
8 Wheatsheaf Square, Whitfield, Dover	Jun-22	£465,000 (£327 per sq ft)	1,421	Detached four bed new build
7 Dublin Mews, Lower Road, Dover	Nov-21	£575,000 (£277 per sq ft)	2,077	Detached four bed new build (built 2019)
142 Sandwich Road, Whitfield, Dover	Sep-22	£420,000 (£325 per sq ft)	1,292	Detached four bed new(ish) build - built 2017
9 Wheatsheaf Square, Whitfield, Dover	Aug-22	£300,000 (£276 per sq ft)	1,087	Semi detached three bed new build
28 Maize Lane, Whitfield, Dover	Nov-20	£370,000 (£310 psf)	1,198	4 bed detached new build
5 Maize Lane, Whitfield, Dover	Oct-20	£270,000 (£300 psf)	904	3 bed semi -detached new build
25 Maize Lane, Whitfield, Dover	Aug-20	£380,000 (£320 psf)	1,198	4 bed detached new build
7 Oats Drive, Whitfield, Dover	Jul-20	£380,000 (£320 psf)	1,198	4 bed detached new build

In addition to considering the above evidence we have spoken to a number of agents active in the local market. Discussions would indicate that the residential market in Dover is not currently as strong as surrounding settlements such as Folkestone and Deal, however this could be about to change with the regeneration currently being undertaken. Agent consensus is that new build accommodation in Dover is typically selling for circa £320 - 350 per sq ft, which is broadly consistent with the conclusions drawn from the above evidence.

However, we would note that the above comparable transactions are mostly located in Whitfield, a northern suburb of Dover. By contrast we consider that the location of the subject property would command a premium associated with accommodation developed at the subject property given the exceptional sea views. We have therefore adopted a GDV of £365 per sq ft.

Furthermore there are a number of new builds on the market currently quoting significant premiums on the above values, due to being in a better location.

Richmond Way, Whitfield, Dover	On the market	£338,995 (£484 per sq ft)	699	End of terrace three bed new build with contribution of £9,750 towards mortgage costs
Connaught Barracks, Dover	On the market	£510,000 (£315 per sq ft)	1,617	Detached three/four bed new build
Chapel Road, Whitfield, Dover	On the market	£350,000 (£414 per sq ft)	844	Reduced price on 28/10/2022 End of terrace three bed new build

GDV	
GDV per sq ft	£365 psf
Total GDV	**£23,360,000**

Based on advice from our in-house building surveyors, our experience from work undertaken with national house builders in similar south eastern locations and advice from our planning team we have adopted the following cost inputs and timescale.

We have assumed the scheme will consist of 100% private accommodation. We have made allowances for an Offsite Affordable Payment as a result of this.

Cost Inputs

A summary of the principal inputs adopted within our appraisal is below:

Cost	
Construction Costs @ £135	£8,640,000
Developer's Contingency @5%	£432,000
Professional Fees @ 10%	£906,840
Offsite Affordable Payments	£2,734,271
Site Servicing Costs	£428,400
CIL	£298,358
Disposal (Sales and Legal)	£388,800

Total Finance @7%	£1,357,832
Total (rounded)	**£15,579,000**

Profit

We have allowed for Profit on Cost at 25%. The adopted rate reflects the not insignificant planning risk associated with this development, while also takes into account that no specific allowance has been made for Section 106 costs.

Profit	Total
Profit on Cost	£4,672,000

Timeframe

We have assumed a single-phase build as follows:

Phase	Months
Purchase	1 month
Pre-Construction	9 months
Construction	15 months
Sale	13 months
Total	**38 months**

We have adopted an S-Curve pattern of spend in terms of build cost and finance draw-down, with the predominant costs being expended in the middle of the build period.

This gives a residual value, assuming planning consent for residential development, as follows:

	Total
Residual Value	£3,109,000
Say	3,100,000
% of GDV	14.00%

21.4 Short Term Income

Our final consideration relates to the short-term income that is currently being received at the property for a number of different uses and will continue to be received while the development is still in its earlier stages. This includes film and television production, airsoft events, Secret Cinema etc.

There is predicted to be some £100,000 worth of event income over the next year but we have taken a cautious view and allowed only £10,000.

With regard to the film contracts, we note from the cash flow appraisal provided that there is potentially £425,000 worth of potential contracts under negotiation with a number of film makers and discussions on a £300,000 contract for 2024.

In addition, there has been interest expressed and also contracts agreed on a temporary basis with a number of police authorities, including the Met Police, Essex Police and the City of London Police for training on site producing, potentially, an income of £255,000 in 2023 and this may continue at a similar or higher level in 2024 and onwards. These training courses require staff to stay overnight which is currently been facilitated off-site. However, there is a proposal to convert two of the current buildings, Sandwich House and Hastings House to provide a total of 100 bedrooms to service these training contracts. We understand that there will be some conversion costs in relation to both these buildings, namely £450,000 with Sandwich House coming on line in 2023 and Hastings in 2024, again at an additional conversion cost of £450,000. This will have the effect of producing a significant amount of additional income with proposed rates at £100 per night gross of 40% running costs. Again, these contracts although not confirmed, could potentially run forward over a number of years into the future.

We have, therefore, taken the view that the best way to account for this income, some of which may be temporary but others may not be, by undertaking a cash flow over the next five years. Our cash flow, which we have not applied inflation, assumes training income at circa £255,000 going forward, accommodation income increasing from £477,900 to £594,000 once Hastings House has been brought on line.

In regard to the filming income, we have assumed initially for next year £425,000 but subsequently, £300,000 going forward thereon and have taken a cautious view on event income by adding just £10,000 per annum going forward. From this we have deducted a capex of £900,000 to convert the two current office buildings into residential accommodation, running costs which we have been provided with of £178,000 per annum. This gives an EBITDA ranging from £540,274 in 2023 up to £980,000 and onwards in 2025 once the capex has been expended.

As this is temporary income, we have applied a generous discount rate of 15% and also applied an exit yield on this income of 12.5%, again to reflect risk. This results in a net present value of £5.47m, However, as this income is very uncertain, we think the market would discount this further and therefore, we have taken a cautious view and only allowed for a third of this potential income as part of the value. , i.e., £1.653m. Our cash flow calculations are included in the table below.

	0	1	2	3	4			
	2023	2024	2025	2026	2027		discount rate	0.15
Training income	£255,476	£254,235	£254,235	£254,235	£254,235		Exit yield	0.125

rooms income	£477,900	£594,000	£594,000	£594,000	£594,000			
films	£425,000	£300,000	£300,000	£300,000	£300,000			
events	£10,000	£10,000	£10,000	£10,000	£10,000			
Total	**£1,168,376**	**£1,158,235**	**£1,158,235**	**£1,158,235**	**£1,158,235**			
running costs	£178,102	£178,102	£178,102	£178,102	£178,102			
capex	£450,000	£450,000						
total costs	£628,102	£628,102	£178,102	£178,102	£178,102			
EBITDA	£540,274	£530,133	£980,133	£980,133	£980,133			
	1.00	0.87	0.76	0.66	0.57			
NPV	£540,274	£460,985	£741,121	£644,453	£3,085,202		exit price	560394
								4415905
£5,472,037								
£1,643,254								

21.5 Aggregate Value

In summary the four separate values are as below:

Existing Use Value:	£2,000,000
Administration Block Hotel Conversion:	£1,230,000
Residential Development Plots:	£3,100,000
Short Term Income	£1,640,000
Total:	**£7,970,000**

22 Valuation

Market Value 1 (MV1) – Freehold Value subject to vacant possession.

We are of the opinion that subject to the Assumptions in this Report the Market Value as at the valuation date was £7,970,000 (Seven Million Nine hundred and Seventy Thousand Pounds Sterling) exclusive of VAT.

Market Value 2 (MV2) – Freehold Value subject to the special assumption of 180 days restricted marketing

We are of the opinion that subject to the Assumptions in this Report the Market Value as at the valuation date was £7,170,000 (Seven Million One hundred and Seventy Thousand Pounds Sterling) exclusive of VAT.

Market Rent 1 (MR1)

We are of the opinion that subject to the Assumptions in this Report the Market Rent as at the valuation date was £839,200 (Eight Hundred and Thirty Nine Thousand Two Hundred Pounds Sterling) pa exclusive of VAT.

23 Suitability as Loan Security

Although we comment on the suitability of the Property as loan security, we do so generally and not in the context of the specific loan terms on which we are not qualified to do so.

We comment below specifically in relation to a number of factors on the suitability of the Property as loan security providing grading's. We are not qualified to assess the adequacy of the capital income over the loan, but we comment below on a number of individual variables with regard to future prospects and the movement of value of the Property over the period of the loan.

	Grade **1= Very Poor** **5= Excellent**	**Comment**
Location/Situation	4	South Eastern location with exceptional sea views.
Building Quality	3	Some attractive heritage assets but much of the accommodation is in poor repair.
Title	5	Freehold.
Security of Income *How secure is the income based on lease length and covenant status?*	1	There is potential for some short-medium term income on the site, but otherwise vacant.
Liquidity *How saleable is the asset and how quickly will it sell?*	2	This is a highly bespoke asset in its existing condition. Demand will increase in conjunction with planning permission and increased income.
Asset Management Potential *Are there opportunities to add value or is it very dry?*	5	The property is currently vacant with some significant planning gains available.

We have assumed that a Lender will (1) satisfy themselves as to their Customer's ability to finance the proposed loan repayments and (2) ensure compliance with the usual lending criteria of the Lender.

Subject to the above, noting the content of this Report and any Special Assumptions and / or Recommendations, we consider the Property is suitable security for loan purposes.

Appendix 1

Letter of Instruction

Appendix 2

Valuation calculations