

Ref: MDE

Your Ref : UKNE45TH001

31 March 2023

The Directors  
PPNL SPV B27-1 Limited  
Beaumont Bridge House  
181 Queen Victoria Street  
London  
EV4V 4EG

**For the attention of: Faraj Jabbour, London House Exchange**

Dear Sirs

**JSK STUDIOS, 18 PITT STREET, NEWCASTLE UPON TYNE, TYNE & WEAR, NE4 5TH**

In accordance with your instructions and our Terms and Conditions of Engagement letter dated 1 March 2023 (attached at **Appendix A**), we have carried out an inspection at the above-mentioned property which is currently used as student accommodation.

We have now had the opportunity to prepare our valuations in respect of the subject property and enclose our report for your consideration.

If any of the report requires further clarification, please do not hesitate to contact us.

Yours faithfully

A handwritten signature in black ink that reads "Allsop LLP." The signature is written in a cursive, flowing style.

**Allsop LLP**

Enc

**Property Consultants**

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The freehold interest in  
Pitt Street Studios  
18 Pitt Street  
Newcastle upon Tyne  
Tyne & Wear  
NE4 5TH

Prepared for  
PPNL SPV B27-1 Limited

Valuations as at  
31 March 2023

Contact  
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8<sup>th</sup> Floor, Platform  
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## Pitt Street Studios, 19 Pitt Street, Newcastle upon Tyne, Tyne & Wear, NE4 5TH

This Executive Summary must be read in conjunction with the main body of the report which summarises the terms, conditions and assumptions upon which our valuations have been made and which takes precedence:



### Location

The subject property is found on the north side of Pitt Street close to its junction with Wellington Street within Newcastle upon Tyne city centre. The surrounding properties comprise predominantly purpose-built student accommodation (on a larger scale compared with the subject) and the property is adjacent to several Newcastle University buildings and within close proximity of local amenities.

### Description

This is a detached, purpose built, block of student accommodation constructed in 2015. The property is of steel frame construction with block, brick and clad elevations under a flat roof.

### Accommodation

There are a total of 65 studios within the property.

The individual studios have floor areas of between 17.75 sq m and 22.52 sq m and comprise a bedroom/living area, kitchenette and shower room W/c.

Overall the building has a Gross Internal Area of 1,748 sqm (18,816 sq ft).

The site area extends to 0.057 hecs (0.14 acres)

### Tenure

Freehold

### Tenancies

We understand that each studio is let for the current academic year by way of 51 week Assured Shorthold Tenancies commencing 1 September 2022. The current rents passing £470,564 per annum equates to £141.95 per studio per week, inclusive of bills.

### Market Rent

**£470,600 per annum (rounded) (Four Hundred and Seventy Thousand Six Hundred Pounds Sterling Per Annum)**

### Market Value

We are of the opinion that the Market Value in the freehold interest in the subject property subject to the existing tenancies is **£5,300,000 (Five Million Three Hundred Thousand Pounds Sterling)**. Our valuation reflects a Net Initial Yield of 5.9% taking into account appropriate allowances for voids and bad debts, running and purchaser's costs.

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## 1 INSTRUCTIONS

Addressee	The Directors PPNL SPV B27-1 Limited Beaumont Bridge House 181 Queen Victoria Street London EV4V 4EG  For the attention of Faraj Jabbour
Property:	Pitt Street Studios, 18 Pitt Street, Newcastle upon Tyne, Tyne and Wear, NE4 5TH
Your ref:	UKEX12AW001
Tenure	Freehold
Valuation Date	31 March 2023

- 
- 1.1 In accordance with our recent instructions from Faraj Jabbour of London House Exchange and our subsequent Terms and Conditions Engagement letter dated 1 March 2023 attached at **Appendix A**, we have now had the opportunity to inspect and prepare valuations in respect of the above property.
  - 1.2 We have pleasure in reporting our opinions of the following to you:
    1. The Market Value of the freehold interest in the subject property subject to the existing tenancies.
    2. The Market Rent of the subject property.
  - 1.3 Our opinions of value are as at the date of this report, 31 March 2023 and are required for internal accounting purposes. Valuations change over time and a valuation provided on a particular date may not be valid on an earlier or later date.
  - 1.4 This report has been prepared in accordance with the RICS Valuation – Global Standards and the limitations to which it is subject are attached at **Appendix B**. It is for the sole use of PPNL SPV B27-1 Limited ('the SPV').
  - 1.5 We have valued the subject property annually on a desktop basis on behalf of the SPV since March 2021. We have had no other involvement with the property or the SPV and can confirm that a conflict of interest does not exist.
  - 1.6 For the purpose of this exercise we have internally inspected the property when a selection of studios and the communal areas were inspected on Friday 10 February 2023 by Matthew Emmerson MRICS, Partner of Allsop LLP and Thomas Thornton, a Graduate Surveyor.
  - 1.7 Unless stated otherwise, all values and opinions reported are on the basis of current market conditions. These reflect many factors but include, for example, supply and demand, interest rates, legislation, and general sentiment about the economy.

- 1.8 We confirm that Allsop LLP have adequate Professional Indemnity Insurance to carry out this valuation with an indemnity limit of £60 million for any one claim.

## **2 INFORMATION RELIED UPON**

- 2.1 The SPV have provided us with historic valuation reports prepared on their behalf by other valuers which we have gleaned information from relating to the overall accommodation available within the subject property supplemental to the accommodation that has been inspected by us.
- 2.2 The SPV has provided us with tenancy information relating to the subject for the current academic year.
- 2.3 We have been provided running costs for the previous academic year (2021/22) which we have used and made appropriate allowances for this year within our valuations.
- 2.4 For the avoidance of doubt we have not had sight of any tenancies in respect of the subject property and have assumed that the information provided, is correct.
- 2.5 We have assumed that all the information supplied to us by the SPV, is complete and correct.

## **3 LOCATION**

- 3.1 Newcastle upon Tyne (Newcastle) is a city in the North East of England in Tyne and Wear with an urban population in excess of 300,000 persons. The city is located virtually equidistant between Leeds and Edinburgh, approximately 101 and 104 miles south and north west respectively. Newcastle is well positioned for road connections, being located just off the A1(M) which provides a main route both north and southbound.
- 3.2 Newcastle is positioned on the East Coast mainline; from Newcastle there are direct train connections to London Kings Cross which is located 268 miles to the south. There is a well-regarded Metro system within the city centre, taking commuters all over the city centre and into surrounding areas including Newcastle International Airport which lies some 6.5 miles north west of the city centre.
- 3.3 The subject property is located on the northern side of Pitt Street close to its junction with Wellington Street. This is a prime position for letting to students attending Newcastle University, partly because of its proximity to Science Central – a local campus constructed in 2021 directly opposite the subject property. It is about a 5-7 minute walk to the core retailing areas of the city from here (east of Percy Street) and about 10 minutes to the principal academic buildings of Newcastle University which can be found on Barras Bridge.
- 3.4 Along either side of Pitt Street are a number of student accommodation schemes including the subject, Verde (IQ) and St James' Point (Student Roost). Properties either-side of Wellington Street, between the Pitt Street junction and St James' Boulevard include Liberty Plaza North, Liberty Plaza South and the National Innovation Centre for Data.
- 3.5 The nearest supermarket (a Tesco Express) can be found on Barrack Road opposite St James' Park (Newcastle United's football ground).



## 4 DESCRIPTION

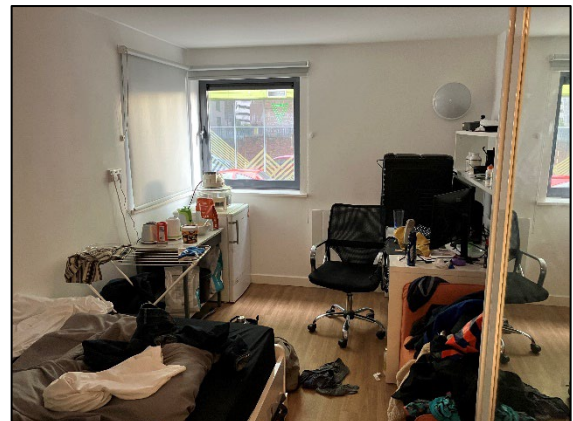
- 4.1 The subject property is a detached part four and five storey building comprising 65 student studios. The property was constructed in 2015 from what we understand to be of steel frame construction with block, brick and clad elevations (assumed to be fire safe) with powder coated, metal, double glazed windows under a flat roof. The property stands within a site measuring approximately 0.057 hecs (0.14 acres) which is predominantly covered by the building footprint.

## 5 ACCOMMODATION

- 5.1 The property comprises 65 studios which measure between 17.75 sq m and 22.52 sq m each. The rooms comprise an open plan living and bedroom area with a kitchenette and ensuite shower room wc. There are 12 studios on the ground floor and 15 on the first second and third floor and a further eight studios of the fourth floor. In addition to the studio rooms there is a communal laundry room, bicycle store and bin store.
- 5.2 We calculate the total usable floor area of the building to be 1,238.62 sq m (13,333 sq ft) in total, this excludes the communal hallways, landings and communal facilities.
- 5.3 From our inspection of the subject property whereby the communal area and studios 1, 3, 8, 20, and 31 were internally inspected. We noted, uniform, good quality accommodation. This is however a relatively small student building with limited communal facilities which is a disadvantage compared with its surrounding competition. The accommodation is however modern and contemporary throughout demonstrated by the selection of photographs taken at the time of our inspection, below:



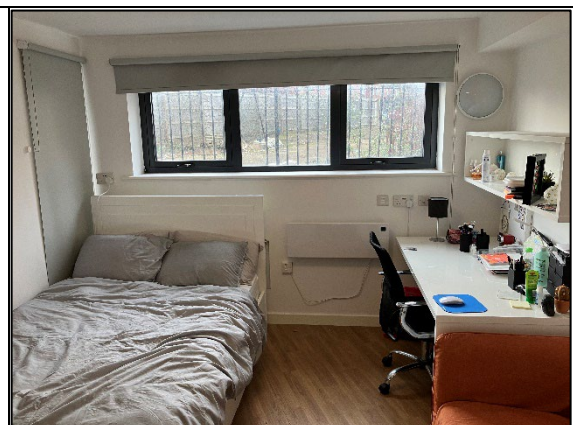
**Typical studio living space**



**Typical studio living space**



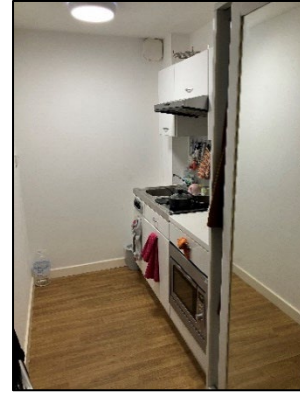
**Typical studio living space**



**Typical studio living space**



**Example of kitchenettes**



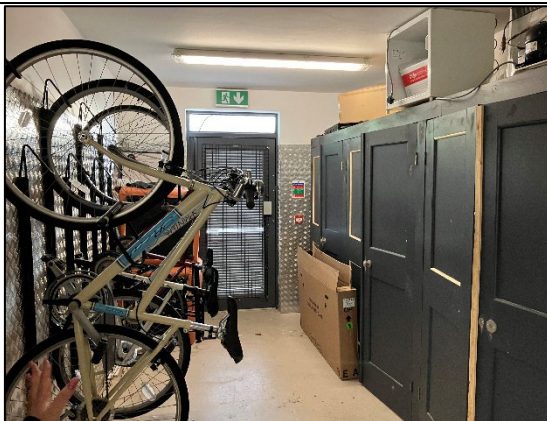
**Example of kitchenettes**



**Typical shower room**



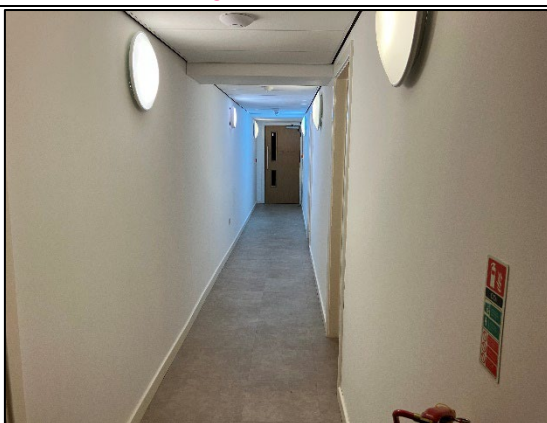
**Typical shower room**



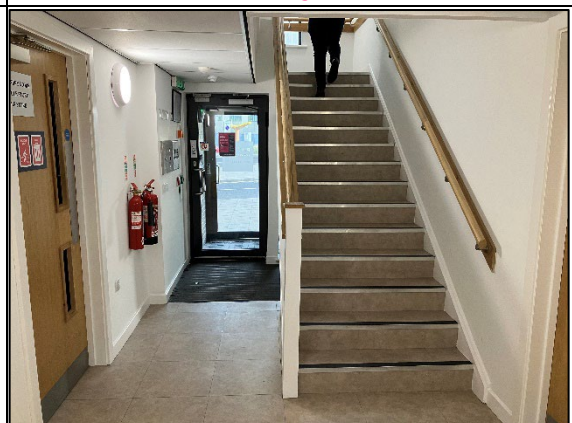
**Cycle store**



**Laundry room**



**Example of communal landings**



**Communal entrance hallway**



## 6 CONDITION

- 6.1 We have not carried out a building survey nor have we inspected those parts of the properties which are covered, unexposed or inaccessible. Accordingly, for the purpose of this report we have assumed that such parts are in good repair and condition. We are unable to express an opinion about, or advise upon, the condition of un-inspected parts and this report should not be taken as making any implied representation or statement about them.
- 6.2 We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the subject properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of such material to any significant extent.
- 6.3 During the course of our inspection we did not note any specific or serious condition issues relating to the external or internal fabric of the property. The individual studios were typically found to be in good order.
- 6.4 We have assumed that the services within the subject property function adequately
- 6.5 We are of the opinion that so long as the property is proactively managed going forward that it will have a useful economic life in excess of 30 years.

## 7 TENURE

- 7.1 We understand that the SPV hold the subject property in the freehold interest.
- 7.2 For the purpose of this report, we have assumed that the SPV holds good and marketable title which is not subject to any adverse easements, restrictive covenants, or unusual or unduly onerous provisions which would otherwise have an impact on our reported valuations.
- 7.3 We have assumed that there are no disputes relating to the subject property and that all covenants have been complied with. We have assumed that the property and its value is unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by a statutory notice.
- 7.4 Should any of the assumptions above be incorrect then our valuations may be detrimentally affected.

## 8 TENANCIES AND RENTAL INCOME

- 8.1 We have been informed by the SPV that the subject is fully let for the current academic year (2022/23).
- 8.2 We understand that each studio is let to a student for 51 weeks from 1 September 2022. We have not had sight of any of the tenancy documents and have assumed that this information is correct for the purpose of our valuations.
- 8.3 We understand that the current rent passing for the subject property is **£470,564 per annum** which equates to £141.95 per studio per week.

- 8.4 Rents are inclusive of bills meaning that the SPV covers the costs of utilities and broadband charges out of the rents that they charge.

## **9 TOWN PLANNING**

- 9.1 We have not made any enquiries with the local planning authority. Our valuations assume that the property benefits from all requisite planning consents to be used as student accommodation and that the property is not a listed building nor is it within a Conservation Area.
- 9.2 We have also assumed that there are no current planning proposals or local authority schemes relating to the immediate area which would have a material effect on the value of the subject property.
- 9.3 Should any of the assumptions above be incorrect then our valuations may be detrimentally affected.

## **10 STATUTORY REQUIREMENTS**

- 10.1 For the purpose of our valuations, we have assumed that the properties comply with all statutory requirements relating for example (but not limited to), Building Regulations, bylaws, environmental health, requirements under the Equality Act 2010 and means of escape in case of fire.
- 10.2 Whilst the height of the subject property means that it does not qualify for a legal requirement for an EWS1 certificate confirming that the building materials are fire safe, most buyers of student accommodation of any height which has an element of external cladding now require confirmation that a building is compliant with the current legislation. Therefore, we have assumed for the purpose of our valuations that the property is suitably constructed to obtain a satisfactory EWS1 rating. If the reality is different and it transpires that the existing building materials are inadequate then the values reported will be detrimentally affected.

## **11 ENVIRONMENTAL ISSUES**

### **11.1 Highways**

- 11.1.1 Our valuations assume that the principal access road leading to the subject property is adopted and maintained at public expense.

### **11.2 Ground Conditions**

- 11.2.1 We have assumed that the ground upon which the subject property has been constructed is not affected by or liable to subsidence, shrinkage, or effected by any underground minerals or other workings under or close to the subject properties (or any other hazards).

### **11.3 Flooding**

- 11.3.1 We have assumed that the subject property is not in a flood risk area and that appropriate insurance can be affected against the property on normal commercial terms. Should our assumptions be incorrect then our valuations could be affected.

#### 11.4 Contamination

- 11.4.1 We are not aware of (nor have we carried out) any environmental audit, investigation or soil survey in relation to the subject property or neighbouring properties. We have not carried out any investigation into past or present uses, either of the subject property or any neighbouring properties, to establish whether there is any actual or potential for contamination.
- 11.4.2 Our inspection was only of a limited visual nature and we unable to provide any assurances that invasive plant species are not present on site or within the surrounding area. In the event of contamination by invasive species and plants being discovered, further specialist advice should be obtained. For the purpose of our valuations, we have assumed that no such contamination exists at the property.
- 11.4.3 During our inspection, no indications of past or present contaminative land uses were noted. As stated previously, our inspection was of a limited visual nature so we cannot give any assurances that previous uses at the subject property, or in its surrounding area, have not contaminated subsoils or ground waters. Should it be established subsequently that contamination or the possibility of contamination exists at the subject property or on the neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the values now reported.

#### 11.5 Energy Performance Certificates ('EPCs')

- 11.5.1 EPCs are required whenever a property is constructed, rented or sold. Their purpose is to record how energy efficient a property is as a building. Each EPC certificate provides a rating of energy efficiency and carbon emissions of a building from A to G, where A is very efficient, and G is very inefficient. An EPC is valid for ten years.
- 11.5.2 We understand that each studio has a valid EPC and is rated either 'B' (3 units) or 'C' (62 units). The current assessments expire 21 September 2025.
- 11.5.3 The current assessments are satisfactory for letting purposes.

### 12 SERVICES

- 12.1 There hardwire fire systems in place at the subject property which we assume are in working order and benefit from a maintenance agreement.
- 12.2 The property and the studios are heated by electric wall mounted heaters.
- 12.3 There is a lift present within the building which we assume is in working order and benefits from a maintenance agreement.
- 12.4 We have assumed that all of the services are in working order and that the services are affected on normal commercial terms.

### 13 FURNISHINGS

- 13.1 We have assumed that the studios are let furnished. Where furniture is provided it must comply with regulations, in particular with regard to fire safety. We have assumed that any furniture within the subject properties does comply with the necessary regulations although we have not undertaken any checks in this regard.

## **14 GAS SAFETY**

- 14.1 Under the Gas Safety (Installation and Use) Regulations 1998, landlords of tenanted residential property must annually have all gas installations within a rented property checked by a GAS SAFE registered engineer. The landlord must ensure that their tenant received a copy of the Gas Safety Report within 28 days of the check being completed.
- 14.2 We recommend that the Bank ensures that Gas Safety Certificates have been prepared in respect of each property prior to drawdown of a loan.

## **15 TAXATION AND COSTS OF DISPOSAL**

- 15.1 No allowance has been made in the figures given below for any liability for taxation which may arise on a disposal (or letting) or for the costs of effecting such a disposal (or letting).

## **16 THE UNIVERSITIES OF NEWCASTLE**

- 16.1 Newcastle has a significant student population of 47,511 (2021/22) of which 39,000 students are full-time undergraduates. Both of its main educational institutions have a good reputation and Newcastle has consistently been voted one of the UK's favourite student cities known for its nightlife, affordability and the city's compactness. We understand that student numbers have risen by nearly 30% in the last ten years across the city in comparison to the national growth rate of 25%.
- 16.2 Newcastle has two major universities; Newcastle University and Northumbria University. Newcastle University is a Russell Group University ranked 31 (28 in 2021) out of 131 universities within The Times Good University Guide, 2022. Northumbria is also regarded as a good university, being ranked 57 (65 in 2021).
- 16.3 Both institutions in various fields are centres of excellence and are heavily invested in both homegrown and international educational facilities.
- 16.4 Newcastle University have a £350m development underway at Cochrane Park sports ground and at Newcastle Helix, a landmark 24-acre hybrid city quarter built for international tech, science and health care businesses (adjacent to the subject property). As part of this, the Frederick Douglass Centre has been opened with a 750-capacity auditorium and 200 seat lecture theatre. In addition they are in the process of expanding the medical buildings with the transfer of 2,000 students from Durham's school of Medicine, Pharmacy and Health. The university has a growing international agenda with a new research and innovation institute in Singapore currently internationally ranked 5+ stars in new QS Stars ranking system (one of only 13 universities out of a total of 150).
- 16.5 Meanwhile Northumbria have flagship projects totalling £52m into the City Campus including a new Student Central zone bringing together all student facing services, two new state-of-the-art buildings for computing and information sciences and architecture and the built environment. The university is a national leader in business and enterprise through partnerships with more than 560 employers and 60 professional bodies sponsor or accredit the university's programmes. Northumbria University's growing global reputation has been reinforced after coming the highest placed UK University in The Times Higher Education's Young Universities rankings (2020).
- 16.6 The demographics of the city show a 75/25 split between domestic and International students meaning there are approximately 12,000 international students in the city.



- 16.7 There are 6,098 university owned purpose built bedrooms in Newcastle, in addition to 14,476 privately owned bedrooms. The total number of PBSA in Newcastle is therefore 20,574. This means 32,336 students do not have access to purpose built student accommodation however the city has plentiful supply of bed spaces within private HMO stock across the key city suburbs of Jesmond, Sandyford, Heaton and to some extent Fenham. Whilst difficult to predict with accuracy the number of beds available in private accommodation of this type we understand that a further 25-30% of the city's student population is catered for.
- 16.8 There are currently 2,284 bedrooms in the planning pipeline; 1,981 with approved status and 303 bedrooms awaiting decision within the PBSA market with 75% of approved bedrooms relating to applications dating back to 2018 or prior which have stalled due to concerns with regard to supply. However assuming the market was in balance in 2019 and the average historical rate of growth in demand is maintained, there will be a structural undersupply of PBSA in Newcastle by 2025. This will be the case even assuming all 2,284 bedrooms in the planning pipeline are delivered.

## 17 MARKET RENT ASSESSMENT

- 17.1 The subject property provides good quality accommodation and is conveniently positioned for accessing city amenities and the university campuses. It comes as no surprise therefore that the property is fully let for the current academic year. We understand that in recent years full occupancy has struggled however this is down to the COVID pandemic which saw students stay at home rather than live in whilst periods of lockdown were in play.
- 17.2 We have investigated the local market for student rents in PBSA accommodation across the city with a focus on studio accommodation like the subject given the location of the subject we have considered **Verde** and **St James' Point** as these immediately neighbour the subject property. Currently rents are charged at between £183 and £203 pppw in **Verde** (£194 pppw) whilst at **St James' Point** rents are between £175 and 205 pppw (£191 pppw ave). In terms of the supplemental student amenities these schemes are far superior to the subject property as they offer gyms, breakout spaces, social hubs amongst others which are desirable and drive a rental premium.
- 17.3 Contracts at both of these schemes are 51 weeks like the subject tenancies.
- 17.4 In consideration of the above we are of the opinion that the current rents passing (equating to £141.95 pw) demonstrate Market Rent.

## 18 MARKET RENT

- 18.1 Market Rent is defined as:

*"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

- 18.2 We are of the opinion that the Market Rent of the subject property, is:

**£470,600 pa (rounded)**  
**(Four Hundred and Seventy Thousand**  
**Six Hundred Pounds Sterling Per Annum)**

## 19 MARKET VALUE ASSESSMENT

- 19.1 Acceptances to UK universities for 2022/23 through UCAS rose by 4% compared with the previous academic and it is recorded that 37.5% of all 18-year-olds are in higher education creating demand for accommodation in most of the UK' prime student towns and cities. In addition, there were more than 683,650 applicants for the 2022/23 academic year, up from 606,645 in 2021. The overall application rate for UK 18-year-olds hit a record high at 44.1% and is likely to lead to record numbers of students starting higher education this autumn. UCAS predict a 16% increase in student numbers by 2030.
- 19.2 The total number of international applicants is now around 135,000, a 3% increase on last year. There are around 23,168 EU applicants, the lowest level in 10 years. However, this is offset by the number of applicants from outside the EU, which continues to rise and at 111,720 is now at the highest ever level, 9% up on last year.
- 19.3 The way that higher education is marketed in the UK has led to an increase in polarisation between the strongest universities (usually Russell Group institutions) than less well regarded institutions. This polarisation is also being seen in the accommodation investment markets with investors preferring the strong recognised student cities (which of course includes Leeds) over smaller regional locations.
- 19.4 Growth in student numbers expanded the supply of purpose-built accommodation coming into the market and 2020 saw the balance tipping in favour of the private sector where 51.4% of all purpose built student bedrooms now provided in the private sector when compared with the universities own accommodation in the private PBSA market. The top 10 providers control 59% of the private market, the largest is Unite Group plc with about 74,000 purpose built bed spaces.
- 19.5 Another factor attracting investors is the consistent rental growth experience particularly compared with other asset classes. According to Cushman & Wakefield, rents grew by 2.5% on average in the last 12-18 months but this increased to 3.4% in what are termed Grade A markets, interestingly Knight Frank have reported similar growth in rents in their 2023 Student Property Report.
- 19.6 Undoubtedly there are some markets which are heavily supplied with purpose-built accommodation presently. Investors are currently slightly nervous of off prime locations in Liverpool, Sheffield and to a lesser extent Newcastle but we have seen in recent years some concerns with regard to the city's capacity.
- 19.7 Investment in purpose built student accommodation is now a mature market and is one of the most sought after alternative asset classes in the property sector. Transactional volumes in 2022 stood at around £7.2bn up by around 15% compared with 2021. Our data shows that in excess of 58,000 purpose built bed spaces were transacted in 2022 at an average capital value of just under £120,000 per bedroom. The five year average currently stands at £4.5b per annum.
- 19.8 Demand in the market continues against a shortage of stock particularly for good quality opportunities and we do not expect demand to fall. We see the student sector to be perhaps more resilient to economic forces compared with other parts of the market, this has been evident following recent global and local economic events during 2022. There is a wall international investor capital (particularly from Singapore, the Far East and USA) continuing to acquire student stock who see an opportunity to acquire assets if UK or European investors are hesitant.

- 19.9 Q3 of 2022 saw the start of the new 22/23 academic year with operators also dealing with higher energy costs impacting stabilised returns. This impact was softened by a combination of tightening up management efficiencies and increasing rents where possible. September 2022 saw the UK governments 'mini-budget' which created the most upset in the UK toward investing in property creating an immediate rise in borrowing costs, high inflation and a sense of uncertainty and market turbulence. Across the sector, transactions under offer generally slowed and there was some evidence of price adjustments on agreed deals prior to the mini budget taking into consideration the increased cost of borrowing with some, particularly larger transactions, falling out of bed. This was less a reflection of student accommodation as an asset class and more a case of trying to ascertain what changes (if any) to values is occurring.
- 19.10 The current position of investors typically sits within one of three categories; either placing activity on hold, taking stock but adjusting pricing, or continuing with their pre mini-budget strategy. The immediate reaction from several commentators and some of the larger institutions was that a yield expansion of around 50bps was likely but what is becoming more evident as time has passed is that it appears that this actually around 25bps compared to 12 months ago (say a Grade A asset in a northern Russell Group University would have achieved circa 5.25% NIY in Q1 2022, today is likely to be c 5.5%) . We are aware of several deals which have been agreed this year priced at similar levels to this time last year but due to confidentiality we are unable to provide further comment at this stage.
- 19.11 We are of the opinion that the subject property would be of interest to local and some national buyers if it was to be offered for sale, occupied and passing the current rents, however it is a lot size where there is a shallower pool of buyers but priced correctly would be of interest. Allsop LLP sold **Stepney Lane, Newcastle** in August 2022 for £12.6m (£11m asking price) a freehold PBSA block comprising 314 bed spaces in a cluster flat arrangement. The sale on behalf of receivers equated to a net yield of 6.38% and £40,127 per bed space. Whilst in good order (although some capital expenditure would be of benefit) we conclude that the location of the subject property is superior to this property notwithstanding its size appealed to a wider range of buyers including institutional funds.
- 19.12 Whilst considering the above evidence our primary approach to appraising the value of the subject property is through the application of a DCF model. As a 'sense' check we have compared the result of our DCF against the above analysing our calculation based on yield and capital value per bed space. It is typical for student schemes which are cash driven to be valued on a DCF model, therefore we are of the opinion that a DCF would be adopted by other savvy student investors looking to acquire the subject property. Our DCF model sets out annual estimated income and allows for estimated outgoings over a period of 35 years, with the income in each year brought back to present day value by the use of an appropriate discount rate. We have attached a copy of our DCF print-out at **Appendix C**.
- 19.13 In our DCF we have adopted the following assumptions:
- **Rental levels:** We have inputted our opinion of Market Rent for the 65 bed spaces i.e. £470,564 per annum (the current rent passing).
  - **Ancillary income:** We have not accounted for any ancillary income as this does not apply.
  - **Void:** We have adopted a void and bad debts rate of 2% for the current and following nine academic years. Whilst fully let and likely to be the case going forward there is always a risk of bad debt within any academic year so this has to be reflected. We

have expanded the void position but 0.5% for the remainder of the term to reflect a deterioration of the quality of accommodation and additional accommodation available beyond in the local market beyond the first 10 years.

- **Rental growth:** 2.5% for the first 5 years of the model decreasing by 1% for the remainder again to account for greater competition in the market and obsolescence of the accommodation.
- **Running costs:** we have considered appropriate increases in running costs compared with the SPV's reported sums for 2021/22, our appraisal shows a combined annual cost of £130,599 however an additional allowance of £9,250 has been allowed for insurance and compliance etc. The total for the academic year therefore equates to £139,849 – 29.72% of income (£2,152 per studio per annum) which is suitable for a scheme such as the subject.
- **Capitalisation rate:** The DCF must be capitalised at a discount rate which reflects both market risk and opportunity. There is of course some risk of long-term obsolescence, but this will be limited in respect of the subject property as it is currently new. The property should be very lettable for several years (subject to competent management, realistic rents and proactive maintenance). We have adopted a capitalisation rate of 6.43% for the term and 7.43% for the reversion.
- **Purchaser's costs:** The value which we report is net of purchaser's costs at 6.7%. Any prospective purchaser would consider the property's value net of purchaser's costs and taking these costs into account is the commercially accepted approach to valuing a property in this asset class.
- **Resulting valuation:** The result of our cashflow model £5,300,000 (rounded), equating to £81,539 per studio and a Net Initial Yield of 5.7% (8.83% Gross Initial Yield).

19.14 Our valuation is realistic against the evidence above.

## 20 MARKET VALUE

20.1 Our valuations are as at 31 March 2023 and on the basis of Market Value which is defined as:

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

20.2 In accordance with the above, we are of the opinion that the Market Value of the freehold interest in the subject property, subject to the existing tenancies, is:

<p style="text-align: center;"><b>£5,300,000</b> <b>(Five Million Three Hundred Thousand Pounds Sterling)</b></p>
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## 21 GENERAL COMMENTS

21.1 The valuations provided are strictly on the proviso that the information provided to us by the SPV is complete and correct. Should there be a material departure from the information that we have been provided our valuations will be affected.



## 22 LIMITATION OF LIABILITY

- 22.1 This valuation has been undertaken by External Valuers who meet the requirements of the RICS Valuation Standards. We confirm that they have sufficient current local knowledge of the market within which the subject properties fall, as well as the skills and understanding to complete the valuation competently. The valuations have been prepared in accordance with the requirements of the Global Standards and have complied with matters relating to Member qualification.
- 22.2 This valuation may be subject to monitoring under the RICS conduct and disciplinary regulations.
- 22.3 This Valuation Report is provided for the stated purpose and for the sole use of the named client. It is confidential to that client and their professional advisers, and we accept no responsibility whatsoever to any other person or parties.
- 22.4 Where Allsop is responsible for providing advice and/or services to you then, to the fullest extent permitted by law and regulation, no individual who is a member or employee of, or consultant to Allsop, accepts or assumes responsibility to you or to anyone for advice and services provided to you, whether or not the individual is described as a "partner". You agree (to the extent such agreement is enforceable under applicable laws and regulations) that you will not bring any claim in connection with any advice and/or services provided to you, whether on the basis of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise, against any member or employee of, or consultant to Allsop, but this will not limit or exclude the liability of Allsop itself for the acts or omissions of its members, employees or consultants.
- 22.5 Neither the whole nor any part of this Valuation Report or any reference hereto may be included in any published document, circular or statement, or published in any way without our written approval of the form and context in which it may appear.
- 22.6 As stated above, we confirm that the property was inspected and valued by Matthew Emmerson MRICS (RICS No 1159538) a Partner of Allsop LLP. This report has been countersigned by Oliver Murley MRICS, a Senior Associate.
- 22.7 We trust that the above covers all matters upon which you wish to be advised. However, if any points do require clarification, please do not hesitate to contact Matthew on **0113 236 6678** who will be pleased to assist.

Yours faithfully



**MATTHEW EMMERSON MRICS (RICS NO 1159438)**

**Partner**

**For Allsop LLP**

DL 0113 236 6678

M 07825 056352

E [matthew.emmerson@allsop.co.uk](mailto:matthew.emmerson@allsop.co.uk)



**Oliver Murley MRICS (RICS No. 1259414)**  
**Senior Associate**

**ALLSOP LLP**

## Terms of Engagement

Our ref: MDE  
Your ref: UKNE45TH001

1 March 2023

PPNL SPV B27-1 Limited and  
Beaumont Bridge House  
181 Queen Victoria Street  
London  
EV4V 4EG

**For the attention of: Faraj Jabbour**

Dear Sir

**TERMS AND CONDITIONS OF ENGAGEMENT**

**PROPERTY ADDRESS: Pitt Street Studios, 18 Pitt Street, Newcastle upon Tyne, NE4 5TH**

We write to confirm our instructions from Faraj Jabbour at Property Partner requesting that we provide you with our opinions of Market Value in respect of the above properties which are held by PPNL SPV B27-1 Limited ('the SPV') as an investment.

Our valuations will be reported on the following bases:

- 1) The Market Rent (MR) of the freehold interest in the above property
- 2) The Market Value (MV) of the freehold interest in the above properties on the Special Assumption each could be sold, today, with vacant possession.

We understand that our valuations will be for internal accounting purposes and the valuation date will be the date of our report.

We confirm that the valuations will be undertaken by a RICS Registered Valuer who has the knowledge, skills and understanding to undertake this work competently.

Our report and valuations will be prepared by Matthew Emmerson MRICS, a Partner of Allsop LLP.

We will also inspect the subject property. Our external inspection will be from ground level only and we will not inspect the roof. We will internally inspect as many units within the property as possible, but will not inspect any part of the property that is covered, obstructed or unexposed. We will therefore assume that these parts of the property are in good condition.

In the event that we are unable to internally inspect a unit we will assume that its internal condition is commensurate with those that we have internally inspected and consider if its external condition has an effect on its internal condition. We will rely on (and be under no duty to verify) the accommodation details that are provided to us by Property Partner.

We will be acting as external valuers.

**Property Consultants**

Allsop LLP  
8<sup>th</sup> Floor, Platform,  
New Station Street  
Leeds LS1 4JB  
T +44 (0)113 236 6677



We have provided the SPV with desktop valuation advice annually in relation to the subject properties since March 2021. Otherwise we have had no other involvement with the SPV or the subject properties. Having considered matters carefully we do not believe that we have a conflict of interest on this occasion.

We confirm that we have professional indemnity insurance sufficient on a per claim basis to cover our valuations with an indemnity limit of £60m for any one claim.

We will not carry out a building survey on the subject properties. Any comment relating to the structural condition of a property will be made without liability and any such comment or absence of comment should not be construed as any form of warranty as to the condition of the property. We will assume that any element of a property that is not inspected is not the subject of material defects. We will also assume that survey inspections would not reveal defects which would cause us to alter our valuations materially.

We will not test any of the services within the subject property and will assume they are in satisfactory working order and that the property has access to these services on normal commercial terms.

Unless advised to the contrary, we will assume that the buildings do not contain any deleterious materials and that the ground is not subject to or affected by contaminative uses and is not liable to flooding, subsidence, shrinkage or any other such hazard. We will also assume that there are no invasive species within the grounds of the subject properties unless it is obvious that they are present at the time of our inspection.

We will also assume there are no underground mineral or other workings beneath the property or in its vicinity. We confirm that we will not undertake any study of the past uses at the property and land or any neighbouring property and land.

We will rely upon and be under no duty to verify all information provided to us by you and your respective professional advisors. Such information will be assumed to be complete and correct.

Where relevant and unless stated otherwise, any nomination rights which may be in existence will be assumed to be personal between the parties and do not to run with the land. Accordingly, we will assume that such rights would not bind future owners following a transfer of Title.

Unless advised otherwise, we will assume that all covenants have been complied with and that there are no disputes relating to the properties which might otherwise depress its value. We will also assume that the property is compliant with all relevant Statutory Requirements (including, but not limited to Fire Regulations, Bye-Laws and Environmental Health).

In the event that the properties have been constructed within the last 10 years, we will assume they have the benefit of NHBC, HAPM, Zurich or other certificates of insurance of equivalent status.

Plant, machinery and furniture will not be included in the valuations unless they form part of the structure and are normally valued as part of the building.

Where we are not supplied with copies of title documents or a reports on title we will have to assume that the subject properties are held with good title and with no unusual or unduly onerous provisions which would otherwise depress the values reported. Interpretation of legal documents is the responsibility of your solicitors and any comments in our report should be confirmed by your legal advisers.

After we have reported our valuations to you, we may be supplied with Reports on Title or other previously unavailable information. In such circumstances, only the effects that such additional information would have had on the previously reported figures will be reflected in any

supplementary advice that we give to you. When giving such supplementary advice, we shall not re-inspect the properties, re-research or review any other aspect of our valuations. The date of valuation will always remain the same as that specified in our report.

Some Local Authorities will no longer deal with verbal planning enquiries. Under such circumstances, we will make assumptions as to the authorised planning use of the properties and will assume that the properties and their values are unaffected by any matters which would be revealed by Local Searches and replies to the usual enquiries, or by a Statutory Notice and that their condition, use, or intended use is lawful. Where we are successful in making verbal enquiries of the Local Planning Authorities, information supplied by their officers is given without responsibility and in turn we cannot accept any responsibility for the accuracy of this information. We would expect these matters to be verified by your solicitors.

We will take no account of any liability for taxation which may arise upon the disposal or letting the property, nor will we deduct the costs of such disposals or lettings.

We will not provide a reinstatement cost assessment for fire insurance purposes, this should be arranged by a suitably qualified Building or Quantity Surveyor.

Our report will be confidential to the SPV and its immediate professional advisers for the stated purpose.

Our report and valuations will be for the sole use of the SPV as a single entity. Therefore we can accept no liability to the individual shareholders, bondholders, partners, lenders or investors in the SPV. Any other individual who relies upon our report and valuations do so entirely at their own risk.

For the purposes of the Contracts (Rights of Third Parties) Act 1999, there is no intention that these Terms and Conditions of Engagement be enforceable by any third party who but for the said Act would not have been entitled to enforce such terms.

To the fullest extent permitted by law and regulation, no individual who is a member or employee of, or consultant to, Allsop accepts or assumes responsibility to you or to anyone for advice and services provided to you, whether or not the individual is described as a "Partner".

You agree (to the extent such agreement is enforceable under applicable laws and regulations) that you will not bring any claim in connection with any advice and/or services provided to you, whether on the basis of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise, against any member or employee of, or consultant to, Allsop but this will not limit or exclude the liability of Allsop itself for the acts or omissions of its members, employees or consultants.

Neither the whole nor any part of our report or any reference to it, or the valuations, may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which they may appear.

We confirm that our fees will amount to **£1,250 plus VAT** and will be inclusive of all out of pocket expenses, we note that these will be covered directly by your borrower. We reserve the right to charge a fee for abortive work based on Quantum Meruit.

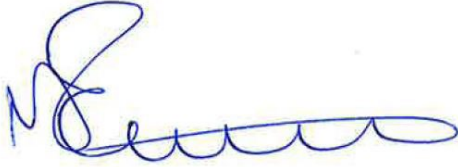
Our account will be payable upon receipt and overdue accounts will attract interest at the rate of 1.5% per month. We acknowledge that the fee will be payable by your borrower.

The valuations will be undertaken in accordance with the RICS Valuation – Global Standards.

Allsop LLP has a complaints handling procedure, the details of which are available on request.

We will be in contact with you shortly once we have considered the valuations to report our findings.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'M D Emmerson', with a stylized, flowing script.

**Matthew D Emmerson MRICS (RICS no. 1159438)**  
**Partner**  
**For and on behalf of ALLSOP LLP**

## Report Limitations



## **REPORT LIMITATIONS**

### **Building Condition**

1. Our valuation assumes the property is in sound structural condition, containing no known deleterious materials and that the services function adequately.
2. The property is of an age and style of construction where we believe it unlikely that any known deleterious materials are present, although this could only be confirmed by undertaking a full structural survey.
3. We have not carried out a building survey, nor have we inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this Report should not be taken as making any implied representation or statement about such parts. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated, as a result of construction work or as a result of any substance on the property or brought on the property or any process carried on or otherwise howsoever and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.
4. In respect of industrial buildings, if the property has composite panel cladding, this may have implications for insurance and valuation purposes and our understanding of the position is set out below. Building insurers are currently taking a pessimistic view of the use of composite cladding panels in construction. This is due to the nature of some of the composite panels, particularly those involving polystyrene which are highly combustible and can become unstable in the event of a fire; additionally, fire may spread through these panels extremely quickly. This has led to firefighters becoming reluctant to tackle buildings made of any composite panels other than from the outside unless there is a danger to life – this can result in total loss to the insurer. Many insurance companies are now requesting confirmation from the building owner / insured as to whether composite panels have been used and if so what make they are and whether they are approved for use by the Loss Prevention Council (LPC), it being virtually impossible to tell from external inspection only. This may lead to the insurer charging considerably higher premiums for buildings with composite panels used in their construction or may require the insured to replace the panels. We have assumed for the purposes of our valuation report that they are LPC compliant. If this is subsequently found not to be the case then this may affect the valuation figures reported.

### **Building Services**

5. The scope of this report does not extend to advice in relation to problems that may arise due to failure of computerised service systems. In particular, we have not arranged for any investigations to be carried out to determine whether or not all equipment, plant, machinery and services which form part of or are contained within the subject property and all equipment, plant, machinery and services of suppliers or other third parties which may impact upon the property meet current requirements/standards. We are therefore unable to report that the equipment, plant, machinery and services referred to above comply with all relevant standards and requirements. For the purposes of this valuation therefore, we have assumed that the value of the property will not be adversely affected by any problems with computerised equipment, plant or machinery, which does not meet the relevant standards or requirements. Should it be established subsequently that the property may be affected by

problems with computerised equipment, plant or other services, this may reduce the value now reported.

### **Environmental Issues**

6. We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property or neighbouring property, and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from these uses or sites. For the purpose of this valuation we have assumed that if investigations were carried out to an appropriate extent, they would not disclose the presence of contamination sufficient to affect value.
7. No indications of past or present contaminative land uses were noted during our inspection. The inspection was only of a limited visual nature and we cannot give any assurances that previous uses on site or in the surrounding areas have not contaminated sub-soils or ground waters. In the event of contamination being discovered further specialist advice should be obtained. In the absence of an environmental audit or other environmental investigation or soil survey, we will assume that no contamination, or possibility of contamination exists. However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the value/s now reported.
8. No indications of present invasive plants or species were noted during our inspection. However, the inspection was only of a limited visual nature and we cannot give any assurances that these species have been on site or in the surrounding areas. In the event of contamination by invasive species and plants being discovered further specialist advice should be obtained. For the purposes of our valuation we have assumed that no such contamination exists. However, should it be established subsequently that contamination exists at the property or on any neighbouring land this might reduce the value/s now reported.
9. We have assumed that if an Energy Performance Certificate is required this is in place.

### **Planning**

10. We have assumed for the purposes of our valuation that the subject property benefits from all required, valid planning consents in respect of its current use and any alterations/extensions that have been made to it. We would recommend that your solicitors confirm this as if this is not the case then the valuation figure/s reported below may be affected.
11. The full planning position can only be obtained by undertaking a formal search. In preparing our valuation for this report we have, unless otherwise indicated, therefore relied on information obtained from our own, informal verbal enquiries to the relevant local planning authority. We would however emphasise that planning information provided by local planning authorities is given without any liability on their part and accordingly, we are unable to accept liability in this regard. We have not seen, unless otherwise indicated, any planning consents and have assumed that the building has been erected and is used in accordance with all requisite consents, that all conditions attached to such consents have been complied with in full and that the subject property is free from any enforcement action.

## **Tenure / Tenancies**

12. Except where otherwise stated within our report, documents of title and leases/licences have not been inspected and for the purpose of our valuation, details of tenure, tenancies, statutory notices and other relevant information supplied by the borrower, yourselves or your advisors, have been accepted as correct. The property has been valued on this basis and on the understanding that there are no undisclosed matters that would affect the valuation. The accuracy of this information should be verified by your solicitors.
13. The proper interpretation of legal documents and the proper legal inference to be drawn from the relevant circumstances are especially the responsibility of your lawyers. Accordingly, any comments in our report with regard to the property's tenure and any leases and/or licences to which they may be subject, must be read in that context. Our assumptions of the law and assumptions of legal inferences should only be relied upon if and when they have been confirmed by a suitably qualified solicitor or counsel. No responsibility or liability will be accepted by us for the true interpretation of your, or other parties' legal position.
14. We have assumed the interest valued is not subject to any unduly onerous or unusual restrictions, conditions, obligations or outgoings and that there are no defects in title that may affect its value. For the purpose of our valuation, we have assumed that this interest in the property is free of mortgage, charge or other debt security and no deduction has been made for such charge or debt. However, we recommend that your solicitors advise you on these matters.

## **Reinstatement Cost Assessment**

15. To provide a reinstatement cost assessment is outside our expertise and the figure given within the report is an indication for insurance purposes and is given solely as a guide to assist in arranging temporary cover. A formal estimate for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of replacement costs. We have prepared our estimate of reinstatement cost with reference to the RICS Building Cost Information Service. Our estimate is based on the current cost of reinstating the premises including site clearance and demolition costs and professional fees. No allowance has been made for VAT nor for party wall awards, legal fees, tenants' improvements, loss of rent and/or the cost of alternative accommodation for the reinstatement period. We have not made any allowance for inflation during the period of insurance nor for pre or post contract stages during the reconstruction period. Our estimate is therefore in respect of a "day one valuation" and this should be adjusted for inflation by the individual insurance companies.

## **Services / Computerised Service Systems**

16. The scope of this report does not extend to advice in relation to problems that may arise due to failure of computerised service systems. In particular, we have not arranged for any investigations to be carried out to determine whether or not all equipment, plant, machinery and services which form part of or are contained within the subject property and all equipment, plant, machinery and services of suppliers or other third parties which may impact upon the property meet current requirements/standards. We are therefore unable to report that the equipment, plant, machinery and services referred to above comply with all relevant standards and requirements. For the purposes of this valuation therefore, we have assumed that the value of the property will not be adversely affected by any problems with computerised equipment, plant or machinery, which does not meet the relevant standards or requirements. Should it be established subsequently that the property may be affected by problems with computerised equipment, plant or other services, this may reduce the value now reported.

### **Plant and Machinery**

17. Our opinion of value excludes all plant and machinery other than that which would normally form an integral part of the building.

### **VAT**

18. Our valuation has been carried out on the basis that they are exclusive of any applicable Value Added Tax and any estimates of rental or capital value are on a similar basis. Advice should be sought from the borrower/your professional advisers to confirm this.

### **Marketing**

19. In undertaking our valuation we have assumed that the property would have been marketed by an agent or agents experienced in the disposal of this type of property in this location.

### **Rental / Capital Growth**

20. Where statements are made in this report as to prospects of future growth in rental and/or capital values, it should be noted that due to unforeseen market conditions such growth may not occur and as with other investments, values can fall as well as rise.

### **Conflict with Valuation Report / SFVR**

21. If any comments made in our report limitations conflict with comments made in the valuation report, then the comments made in the valuation report are to take precedent.

## DCF Valuation Model





## Contacts

### Head Office

33 Wigmore Street, London W1U 1BZ  
Tel: +44 (0)20 7437 6977

### City Office

2 Copthall Avenue, London EC2R 7DA  
Tel: +44 (0)20 7588 4433

### Leeds Office

8<sup>th</sup> Floor, Platform New Station Street,  
Leeds LS1 4JB  
Tel: +44 (0)113 236 6677

## Services

Asset Management

Auctions

Build to Rent

Business Rates

Development Agency & Advisory

Investment (Sales & Acquisition)

Lease Consultancy

Letting and Management

Office Leasing (Central London)

Receivership

Student Housing

Valuation