

15 June 2021

F:\LOAN SECURITY VALUATIONS\Starz Real Estate\Zamek Portfolio\May 2021 Update\Reports

Job number: 481570/LD/TC



Liam Dowdell MRICS  
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Trimont Real Estate Advisors, U.K., Ltd  
"As Agent on behalf of the Finance Parties as per the loan Facility Agreement  
dated 26 February 2020  
33 Welbeck Street  
London  
W1G 8EG

33 Margaret Street  
London W1G 0JD  
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Dear Sirs,

**BORROWER: BRENCHLEY HOUSE MAIDSTONE LIMITED AND 4-6 DILKE STREET LLP**  
**PROPERTIES: BRENCHLEY HOUSE, MAIDSTONE, KENT, ME14 1RF & BREWER STREET WEST CAR**  
**PARK, MAIDSTONE, KENT**

Further to your letter of instruction dated 7 May 2021, as confirmed in our letter to you dated 4 June 2021, we provide you with a valuation in relation to the above Properties. Copies of your instruction letter and of our letter of confirmation are enclosed at **Appendix 1**. The Valuation Date of the Property valued herein is as the date of this letter.

This supplementary letter is provided in addition to, and should be read alongside, our Original Valuation Report dated 29 November 2019.

## **PURPOSE OF THE VALUATION EXERCISE**

We understand our valuation is required for loan security, update/review purposes. This report has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book".

## **CONFLICTS OF INTEREST**

You are aware that we have previously undertaken valuations, for loan security purposes of other assets owned by the Borrower / connected parties on behalf of yourselves and other lenders. As in each instance, our client was the lender, not the Borrower, we do not consider there to be a conflict of interest.

We have previously valued the Properties on behalf of yourselves in December 2019. This valuation is to be provide as an update of our December 2019 valuation.

We confirm that Savills (UK) Limited does not have a material connection or involvement with the subject Properties or any other parties and there are no other factors that could limit the valuer's ability to provide an impartial and independent valuation. Accordingly, we are reporting on an objective and unbiased basis.

## **VALUER DETAILS AND INSPECTION**

The due diligence enquiries referred to below were undertaken by Tom Culverwell MRICS. The valuation has also been reviewed by Liam Dowdell MRICS (Director). The Properties were inspected 18 May 2021 by Tom Culverwell MRICS and Jack Brien MSc. We were able to inspect four flats that were vacant, the residential common parts, the basement parking and the commercial unit 3 internally. We were able to inspect the remaining commercial units and the Brewer Street West Car Park externally.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

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Registered office: 33 Margaret Street, London, W1G 0JD

## BASIS OF VALUE

You have instructed us to provide our opinions of value on the following bases:

- The Market Value of the freehold interest, subject to the existing tenancy position;
- The Market Rent.

### Definition of Market Value

Valuation Standard VPS 4 1.2 of the Red Book defines Market Value (MV) 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.”

### Definition of Market Rent

Market Rent (MR) is defined in IVS 104 paragraph 40.1 as:

“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a 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.”

## BACKGROUND

The Property comprises a mixed-use, freehold building in Maidstone town centre. The Property was originally B1 office use to the first to fifth floors with retail uses at ground floor level. We understand that the floors one to five were converted from B1 Office Use to C3 Residential Use in 2018, to provide 192 apartments. We understand that 139 of the flats are currently let.

A car park located on nearby Brewer Street also forms part of the valuation. This is held freehold on a separate title and comprises 28 parking spaces which is let to a pay and display parking operator.

## THE PROPERTIES

We refer to our November 2019 Report for a full description of each of the Properties. We summarise each, and the accommodation in the table below.

For the avoidance of doubt, we have relied on floor areas stated within our original valuation in November 2019, which assume are complete and correct, and are the net internal floor areas measured in accordance with the RICS Property Measurement 2nd edition, published in January 2018, which updated the RICS Code of Measuring Practice 6th Edition and incorporates International Property Measurement Standards (IPMS). Check measurements were taken during the course of our inspection and were found to be within acceptable tolerance.

We provide a summary of the accommodation in the table below:

Floor	Unit / Use	NIA Sq Ft	NIA Sq M
Basement	Storage / Car Park	2,466	229
	Unit 2 (Wetherspoons)	894	83
	Storage	188	17
	Building Management Area	179	17
<b>Basement Total</b>		<b>3,727</b>	<b>346</b>

Ground	Residential Reception	959	89
	Unit 1 (Vacant)	2,363	220
	Unit 2 (Wetherspoons)	4,784	444
	Unit 3 (Apollo's Taxis)	1,594	148
	Unit 4 (Utopia)	894	83
	Building Management Area	53	4.93
	Ancillary Storage	396	37
<b>Ground Total</b>		<b>11,043</b>	<b>1,026</b>
Mezzanine	Unit 1 (Vacant)	485	45
	Unit 2 (Wetherspoons)	1,261	117
	Unit 3 (Apollo's Taxis)	1,290	120
<b>Mezzanine Total</b>		<b>3,036</b>	<b>282</b>
<b>First Floor</b>	41 flats comprising 8 x 1-bedroom flats & 33 studio flats	12,669	1,177
<b>Second Floor</b>	41 flats comprising 8 x 1-bedroom flats & 33 studio flats	12,680	1,178
<b>Third Floor</b>	41 flats comprising 8 x 1-bedroom flats & 33 studio flats	12,680	1,178
<b>Fourth Floor</b>	35 flats comprising 16 x 1-bedroom flats & 19 studio flats	12,400	1,152
<b>Fifth Floor</b>	34 flats comprising 11 x 1-bedroom flats & 23 studio flats	9,763	907
<b>Roof</b>	Plant	1,672	155
<b>OVERALL TOTAL</b>		<b>82,706</b>	<b>7,683</b>

There are 33 parking spaces of various sizes (3 suitable only for bikes and 1 for a mobility scooter) at basement level within Brenchley House. The car park at Brewer Street comprises 28 surface level car parking spaces.

We attach at **Appendix 2** a set of indicative floor plans.

## PLANNING

The Properties are within the Maidstone Borough Council. Our searches of the statutory register have revealed no new planning applications since the date of our Original Valuation.

## TENANCIES

According to a schedule provided by the Borrower 187 of the flats are let and 5 are currently vacant. The passing rent for the residential flats is £1,718,000 per annum. 19 of the basement car parking spaces and the mobility scooter space are let to the tenants for additional charge, included in the aforementioned passing rent. 1 x car parking space is included in the public house lease, and 4 x car parking spaces are let to external tenants for an additional charge that equates to £5,700 per annum.

We summarise the commercial tenancy position in the table below:

Unit	Use	Net Annual Rent	Next Rent Review	Service Charge Provisions
Unit 1 Brenchley House	Vacant			

Unit	Use	Net Annual Rent	Next Rent Review	Service Charge Provisions
Unit 2 Brenchley House	JD Wetherspoons	£105,000.00	Rent Review due 2027	The service charge payable is a proportionate charge calculated on the net lettable area of the unit in relation to the net lettable area of the building.
Unit 3 Brenchley House	Vacant			
Unit 4 Brenchley House	Utopia	£9,000.00	UKN	There is a Service Charge Cap in place, which equates to the greater of the amount payable in the prior 12 months or the Initial Maximum Service Charge (which was £500) indexed annually in line with the Retail Prices Index.
Car Park Brenchley House	33 spaces (20 let with the residential, 1 with Unit 1, and 4 x further let to external tenants)	£5,700 (4 x spaces)	-	-
Airwave Solutions O2		£11,018.20	-	-
Hutchinson 3G Ltd and EE	Mast	£12,196.51	-	-
Brewer Street Car park	Public car park	Circa £80,000 per annum	-	According to the agreement the Landlord is responsible for all other costs and services associated with the site, except the suppliers set up costs and ongoing costs of providing the parking control services.

The aggregate passing rent is £1,940,915 per annum, albeit we comment that the Brewer Street Car Park income is a profit share, therefore subject to variation depending on the occupancy rates.

## TENURE

The Properties are held freehold.

## MARKET COMMENTARY

We enclose a Property Market Overview at **Appendix 3**.

We enclose Savills UK Residential Investment Market Overview, Q1 2021 at **Appendix 4**.

We enclose a PMA Commercial Report for Maidstone at **Appendix 5**.

## COMPARABLE EVIDENCE – RESIDENTIAL

We have attached a list of investment evidence at **Appendix 6**.

## COMPARABLE EVIDENCE - COMMERCIAL INVESTMENT

Property	Sale Price	Date	NIY	Tenant	Comments
82-88 Week Street, Maidstone	Asking Price £800,000	Feb-21		Tesco, Gad Genie, The green Barn Farm Shop, Megasun Tanning and CeX	Circa 21,394 sq ft over 3 floors. Retail est rent £15-£18 psf.
10 Week Street, Maidstone	£3,300,000	Dec-20		Metro Bank	Lease information not available.
26 Week Street, Maidstone	£1,000,000	Mar-20	12.2%	The Works	Sales price equates to £250 psf. Ground floor retail with office above. Ground floor retail renewed at £90,000 per annum March 2020.
11 Earl Street, Maidstone	£310,000	Jul-19	8.1%	Amplifon Ltd	Let on a 10 year lease expiring November 2025.
13-15 Earl Street, Maidstone	£1,750,000 Estimated Price	May-19	Circa 6%	Cote Restaurants	The property comprises a terraced building arranged over four floors offering ground-floor retail accommodation with offices above.  The 4,652 sq ft ( 432.21 sq m) retail property is let to Cote Restaurants and produces a total annual rental income of £105,000. The lease expires on 08/2038 and has an average weighted unexpired lease term of 19 years.
13 King Street, Maidstone	£575,000 Asking Price	Aug-19	-	Vacant	A vacant retail building arranged over two floors. Currently comprises as a café with kitchen and function room. Planning for A1/A2/A3/A4/A5 Use.
12-14 Week Street, Maidstone	£2,300,000	Jul-18	10.0%	Mothercare	A two storey retail unit with total area of 910.07 sq m (9,796 sq ft) Let to Mothercare UK Limited until 28 September 2019 at a passing rent of £241,750 per annum.
27 Week Street, Maidstone	£400,000	Dec-18	11.3%	UKN	The property comprises a mid-terraced masonry built retail building. Let on a 10 year lease expiring September 2026 with a mutual break in February 2021.
35-39 Week Street, Maidstone	£1,900,000	Nov-18	6.6%	Carphone Warehouse	Let to Carphone Warehouse for £126,141 PA on a lease expiring in January 2024.
38-42 Week Street, Maidstone	£2,650,000	Jul-19	8.9%	WH Smith	The property comprises a three floored building providing 19,500 sq ft of retail space. Let to WH Smith on a lease expiring June 2025.
55-57 Week Street, Maidstone	£800,000 - £825,000 Asking Price	Feb-19	9.4%	Tiger	The property comprises a four floored terraced building providing retail accommodation. Let to Tiger on a lease expiring July 2022.
68-72 Week Street, Maidstone	£1,860,000	Jan-19	6.5%	Burger King	The property comprises a corner sited building currently let to Burger King on a lease expiring September 2030. Was marketed with long term potential for conversion to residential.

## COMPARABLE EVIDENCE – LICENSED LEISURE

Property	Sale Price	Date	NIY	Tenant	Comments
Bull, Maidstone (part of a portfolio)	UKN	Mar-21		Stonegate Pub Company	Stonegate Pub Company sold a portfolio of 43 pubs to Redcat Pub Company Limited for circa £20M.
Slug & Lettuce, 103-105 Above Bar Street, Southampton, SO14 7FG	£1.45M	Aug 2019	7.15%	Stonegate Pub Company Limited	Let until 2032 with a mutual break in 2024. Rent passing £110,000 per annum. GIA 9,625 sq ft.
Walkabout, 42 Cheap Street, Newbury, RG14 5BX	£1.090M	Jul 2019	8.39%	Stonegate Pub Company Limited	Let until 2040 with tenant break in April 2025. Fixed 7.5% increases five yearly. Rent passing £96,750 per annum. GIA 9,003 sq ft.
Graduate, 6-12 Lendal, York, YO1 8AA	£2.5M	Jun 2019	5.74%	JD Wetherspoon	Let until July 2030. Rent passing £152,553 per annum. GIA 8,830 sq ft.
Revolucion De Cuba, 30 Cross Church Street, Huddersfield, HD1 2PT	£1.24M	May 2019	7.23%	Revolution Bars Limited	Let until May 2033. Rent passing £95,000 per annum. GIA 8,981 sq ft.
Golf Hotel, Foxhall Road, Ipswich, IP4 5TR	£1.425M	Jan 2019	5.29%	Greene King Brewing & Retail Limited	Let until July 2033 with open market reviews. Rent passing £80,000 per annum. GIA 8,904 sq ft.
Revolution, 34-38 Bridge Street, Northampton, NN1 1NS	£1.225M	Oct 2017	7.20%	Revolution Bars Limited	Let until December 2026. Rent passing £93,500 per annum.
The Bank House, 15-17 Clarence St, Cheltenham, GL50 3JL	£3.075M	Mar 2017	3.78%	J D Wetherspoon Plc	Let until January 2036. Rent passing £128,500 per annum with reversionary rent.

## COMPARABLE EVIDENCE – RESIDENTIAL RENTALS

The most reliable evidence are the lets within Brenchley House. We include a summary of achieved rents below for reference:

Type	Minimum Rent PCM	Average Rent PCM	Maximum Rent PCM
Studio	£660	£731	£860
1 Bed	£785	£856	£950

We would note that hot water, central heating and water rates are included in the rent.

In addition, we would highlight the following recent lettings transactions within the area, which we consider to be particularly relevant to our valuation of the Property:

Address	Type	GIA Sq Ft	Date	Rent PM	Comment
Apartment 3, Idenden House, Medway Street, ME14	Studio	UKN	May-21	Asking rent £595	<ul style="list-style-type: none"> <li>• Town centre;</li> <li>• Good condition.</li> </ul>
Apartment 14, Idenden House, Medway Street, ME14	Studio	UKN	Aug-20	Asking rent £595	<ul style="list-style-type: none"> <li>• Town centre;</li> <li>• Good condition.</li> </ul>
Flat 169, Scotney Gardens, St Peters Street, ME16	Studio	420	Jul-20	£650	<ul style="list-style-type: none"> <li>• Modern building;</li> <li>• Slightly dated;</li> <li>• Parking.</li> </ul>
Flat 81 McKenzie Court, Maidstone, ME14	1 bed	560	Feb-21	£825	<ul style="list-style-type: none"> <li>• Modern development;</li> <li>• Balcony;</li> <li>• Parking.</li> </ul>
Flat 47, Scotney Gardens, ME16	1 bed	667	Mar-21	£775	<ul style="list-style-type: none"> <li>• Modern building;</li> <li>• Slightly dated;</li> <li>• Parking.</li> </ul>
Flat 170, Scotney Gardens, ME16	1 bed	667	Mar-21	£775	<ul style="list-style-type: none"> <li>• Modern building;</li> <li>• Slightly dated;</li> <li>• Parking</li> </ul>

## COMPARABLE EVIDENCE – COMMERCIAL LEASE TRANSACTIONS

Property	Signed Date	Rent PA	Rent £PA/psf	Tenant	Lease Terms	Area Sq Ft	Comment
26 Week Street, ME14	Mar-21	£90,000	£22	The Works Stores	5 year lease expiring March 2026	4,006	Part ground, 1 <sup>st</sup> and second floor fronting high street
1-3 Mill Street, ME15	Sep-20	£18,000	£21	V & D Foods Limited	5 year lease expiring September 2025	854	Ground floor sandwich bar
Units 15 & 16 Royal Star Arcade, ME14	Jul-20	£25,000	£10	Undisclosed	5 years to August 2025 with a break after the third year	2,500	No further details.
Ground at 79-83 Week Street, ME14	Jul-20	£55,000	£15	German Doner Kebab	10 years to August 2030.	3,696	6 month's rent free.

## PRINCIPAL VALUATION CONSIDERATIONS

The principal matters that impact on the value of the Properties are as follows:

### Advantages

- Town centre location;
- Proximity to Maidstone train station;
- The Property provides a mix of retail, office and residential uses plus a separate public car park currently generating a passing rent of circa £1,940,915;
- The Property comprises in terms of the residential element, a new and high quality offering in the Maidstone market;
- Some parking available to residents in the basement car park for an additional charge;
- The flats are finished to a good specification;
- The Borrower is an experienced operator in this market.

### Disadvantages

- With the exception of the public house which is let to Wetherspoons, the other commercial tenant has a poor covenant;
- Two of the commercial units are vacant, one vacant at the date of our original report;
- The development lacks communal outside space;
- The internal courtyard facing flats will suffer from noise from the pub terrace below;
- Macro-economic climate in the wake of the COVID-19 pandemic that has a significant impact on the commercial / retail market;
- As such the void period for the vacant units will be considerable;
- Current market uncertainty.

## APPROACH TO VALUATION

### Market Rent

We have adopted the comparable method in forming our opinion of Market Rent. We summarise our opinion of Market Rent in the table below:

Address	Aggregate Market Rent PM	Aggregate Market Rent PA
192 x flats (including 20 x basement car parking spaces)	£146,825	£1,761,905
Basement Car Park (6 x vacant, 4 x let externally)	£1,135	£13,620
Commercial	£13,093	£157,115
Brewer Street West Car Park	£8,031	£96,370
<b>TOTAL</b>	<b>£169,084</b>	<b>£2,029,010</b>

### Market Value – Special Assumption of vacant possession

We have adopted the investment method in forming our opinion of Market Value. We have valued the asset on the traditional investment basis of the income stream achievable.

We summarise our opinion of Market Value value in the table below:

Address	Market Value	Approach
192 x flats (including 20 x basement car parking spaces)	£28,736,669	70% Gross to Net rent capitalised at 4%, minus 6.8% purchasers costs.
Basement Car Park (6 x vacant, 4 x let externally)	£236,870	5.75% gross yield
Commercial	£1,658,118	Vacant units – 12% equivalent yield; Wetherspoons Unit – 7.56% equivalent yield; Remaining income – 10% equivalent yield;
Brewer Street West Car Park	£1,189,076	7.5% yield on 80% of projected income.
<b>TOTAL</b>	<b>£31,820,733</b>	
<b>SAY</b>	<b>£31,820,000</b>	

## MARKET VALUE

Having carefully considered the Properties, as described in this report, we are of the opinion that the current aggregate Market Value of the freehold interests in the 2 x Properties, subject to the existing tenancies, is in the order of:

**£31,820,000**  
**(THIRTY ONE MILLION EIGHT HUNDRED AND TWENTY THOUSAND POUNDS)**

We consider that a period of up to 12 months is a reasonable period within which to negotiate completion of a sale by private treaty of each of the Properties at the level of our valuation, taking into account the nature of the Properties and the state of the market.

## MARKET RENT

Having carefully considered the Properties, as described in this report, we are of the opinion that the current aggregate Market Rent of the 2 x Properties, is in the order of:

**£2,029,010 per annum**  
**(TWO MILLION TWENTY NINE THOUSAND AND TEN POUNDS PER ANNUM)**

The rental market is considerably less transparent than the sales market and rental values fluctuate considerably between apparently similar property. It is also more difficult to make a reasoned assessment of rental comparables as details of properties are less complete. Value tends to be a function of the number of bedrooms and the location as well as decorative presentation. Longer term influences that a purchaser might take into account are clearly of little influence to a tenant on an annual tenancy although some factors may coincide.

## Confidentiality

For the avoidance of doubt, this update is subject to the same confidentiality statement contained within our Original Report.

Furthermore we confirm that in our opinion the Property provides good security for a loan secured upon it, which reflects the nature of the Property, our reported opinions of value and the risks involved.

I trust that this is sufficient for your purposes. Please do feel free to contact me should you require any further information.

Yours faithfully

For and on behalf of Savills Advisory Services Limited




**LIAM DOWDELL MRICS**  
RICS Registered Valuer  
Director




**TOM CULVERWELL MRICS**  
RICS Registered Valuer  
Associate Director

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## Appendix 1

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4 June 2021

F:\LOAN SECURITY VALUATIONS\Starz Real Estate\Zamek Portfolio\May 2021 Update\Instructions & Audit Form  
Ref: 481579/LD/TC

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Trimont Real Estate Advisors, U.K., Ltd

"As Agent on behalf of the Finance Parties as per the loan Facility Agreement dated 26 February 2020"

33 Welbeck Street  
London  
W1G 8EG

Dear Sir/Madam,

**BORROWER: BRENCHLEY HOUSE MAIDSTONE LIMITED & 4-6 DILKE STREET LLP**  
**PROPERTIES: ZAMEK PORTFOLIO**

#### **CONFIRMATION OF TERMS OF ENGAGEMENT FOR THE PROVISION OF VALUATION ADVICE**

1. Thank you for your correspondence dated 07 May 2021. We are grateful to you for your kind instructions to advise and now write to confirm the terms upon which Savills (UK) Limited (**Savills, we or us**) will provide Trimont Real Estate Advisors, U.K., Limited (**you**) with a valuation report (the **Valuation or Report**) in respect of the above property or properties (each being a **Property**).
2. Our Valuation will be undertaken on the terms set out in this letter, including its appendices.
3. Please sign and return a copy of this letter to us to confirm your acceptance of the terms set out herein. In particular, we draw your attention to the fact that when signing this letter you are confirming your agreement to the limitation of our liability set out at paragraphs 8 - 12 inclusive.
4. Please note we will be unable to formally issue our final Report to you, and you will be unable to rely upon the contents of our Report, until such time as we have received your signed copy of this letter.
5. To the extent that there is conflict or inconsistency between this confirmation of instruction letter and your correspondence referred to above, this confirmation of instruction letter will prevail.

#### **CONFLICTS OF INTEREST**

6. As you are aware, we have previously valued this Portfolio on behalf of Starz Mortgage Capital Limited in December 2019. We have also valued other assets held by the Borrower / connected parties, for secured lending purposes on behalf of other lenders. As you act as lending agent for Starz Mortgage Capital Limited / our valuations were on behalf of another lender who was the client in each instance, we do not consider there to be a conflict of interest.

We confirm that Savills Advisory Services Limited does not have a material connection or involvement with the subject Properties or any other parties and there are no other factors that could limit the valuer's ability to provide an impartial and independent valuation. Therefore, the valuer will report an objective and unbiased valuation.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

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Registered office: 33 Margaret Street, London, W1G 0JD



**RICS RED BOOK**

7. We shall prepare our Valuation in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the “Red Book”. Accordingly, we confirm that:

(a) Identification and status of the Valuer

- (i) The Valuation will be the responsibility of and the Report will be signed by Liam Dowdell MRICS, RICS Registered Valuer (the **Valuer**). The Valuer will work with colleagues as appropriate, and the Report will be counter-signed by at least one other RICS Registered Valuer.
- (ii) The Valuer has sufficient current knowledge of the particular market(s) and sufficiently developed skills and understanding to undertake the valuation competently.

We are acting as an “external valuer” as defined in the Red Book and within Appendix 1.

(b) Identification of the client and other intended users

The client is the addressee of this letter. We agree that the Report will be addressed as follows and that the following parties (together, the **Addressees**) shall be entitled to reply upon our Report:

“This report is addressed to and capable of being relied upon by:

- (i) Trimont Real Estate Advisors UK Limited; and
- (ii) each Finance Party (as defined in the Facility Agreement) and each successor, assignee or transferee of any Finance Party in their role as Finance Party from time to time; and
- (iii) each original issuer and any agent and trustee in connection with any securitisation (or other transaction having similar effect) relating to the rights of any Lender (as defined in the Facility Agreement);

(each, and “**Addressee**” and together, the “**Addressees**”) provided that, in relying on this report, each of the Addressees acknowledges and agrees that:

- (a) this report refers to the position at the date it was originally issued and, unless otherwise confirmed by us in writing, we have taken no action to review or update this report since the date it was originally issued;
- (b) our aggregate liability to any one or more or all of the Addressees in respect of this report shall be limited to the lower of 33% of the Value of the Property as stated in our report and £25 million; and
- (c) this report is subject to the terms and conditions set out in our letter of engagement with Trimont Real Estate Advisors UK Limited dated 20 May 2021.”

(c) Identification of the asset or liability to be valued

- (i) The interests to be valued are detailed below:

Property Address	Tenure	Use
Brenchley House, Maidstone, Kent, ME14 1RF	Freehold	Residential (C3) Retail, Public House
4, 5A, 5B & 6 Dilke Street, London, SW3 4JE	Freehold	Residential (C3)



79M Fordwych Road, London, NW2 3NJ	Leasehold	Residential (C3)
Flat 6, 111 Fordwych Road, London, NW2 3NJ	Leasehold	Residential (C3)
Flat 7, Melina Court, Melina Place, London, NW8 9SB	Leasehold	Residential (C3)
Flat 3, Greville Hall, Greville Road, London, NW6 5JT	Leasehold	Residential (C3)

(ii) The interests will be valued subject to the current/proposed occupational agreements, details to be confirmed in our Report.

(iii) The interests to be valued are held for investment purposes.

(d) The valuation will be in pounds sterling.

(e) Purpose of the valuation

The Valuation is required for loan security (update/review) purposes. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use set out at sub-paragraph (i) below.

You have instructed us to report on the suitability of the property for lending purposes. So that we may do this, please provide details of the loan. This is a Red Book requirement and we will not be able to address this question, other than in general terms, without this information.

(f) Bases of value

The basis of our Valuation will be Market Value, the definition of which is set out at **Appendix 1** (attached).

(g) Valuation date

The Valuation date will be the date of our report.

Our Report will include a market conditions explanatory note. The current definition, as drafted by the RICS is set out below. It is possible the definition will be updated prior to the Valuation date and if this is the case we will include the updated version in our Report.

**Market conditions explanatory note: Novel Coronavirus (COVID-19)**

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees in response to further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, some property markets have started to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation will not be reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.



Whilst current RICS guidance indicates there may be sufficient current market activity to justify reporting a valuation without the Material Uncertainty Clause, we will need to complete our due diligence and reflect on our findings before we can make a decision either way.

(h) Extent of investigation

- (i) We will carry out an inspection of the Property and undertake investigations to the extent necessary to undertake the Valuation. We will not carry out a structural survey or test the services and nor will we inspect the woodwork and other parts of the structures which are covered, unexposed or inaccessible.
- (ii) The building(s) have cladding and/or balconies, but further information has not been requested about whether remediation works may be required as the building(s) fall outside the scope of current RICS advice at the time of this valuation. However, this decision is not a guarantee that works will not be required in the future.

(i) Nature and source of information to be relied upon

- (i) We will carry out our Valuation based on the information listed below:

Document/Item	Source
Tenancy schedule	The Borrower

- (ii) To the extent that you have provided us with information and instructed us to obtain it from a third party, you agree, unless it is otherwise agreed by us in writing, we can safely rely upon the accuracy, completeness and consistency of this information without further verification and that you will not hold us responsible in the event that any dispute regarding the Valuation arises from the accuracy of such information.

(iii) Floor areas:

We will not be undertaking a full measurement. It is agreed that we will rely on the Gross Internal Area (GIA) / Net Internal Area (NIA) floor areas provided to us by The Borrower, subject to our taking check measurements to satisfy ourselves as to their veracity. We will revert to you for further instructions if our check measurements are outside an acceptable tolerance.

- (iv) We will not be measuring any part of the Property which we are unable to access. In such cases we may estimate floor areas from plans, or by extrapolation. Such measurements should not be relied upon for any other purpose.
- (v) We will not make formal searches with local planning authorities, but shall rely on the information provided informally by the local planning authority or its officers. We recommend you instruct lawyers to confirm the position in relation to planning and that the Report is reviewed in light of advice from your solicitors in this respect.
- (vi) For the avoidance of doubt, we accept no liability for any inaccuracy or omission contained in information disclosed by you or any third party or from the Land Registry or any database to which we subscribe. We will highlight in our Report where we have relied on such information.

j) Assumptions and Special Assumptions

Unless otherwise agreed, our Valuation will be reported on the basis of the general assumptions attached at **Appendix 2**, and the additional assumptions at **Appendix 3**.



(k) Format of Report

We will adopt the relevant Savills (UK) Limited valuation report template, adapted, as necessary, to accommodate your instructions.

(l) Restrictions on use, distribution or publication

(i) Our Report shall be confidential to, and for the use only of, the Addressee(s) and no responsibility shall be accepted to any third party for the whole or any part of its contents.

(ii) Notwithstanding the foregoing, we confirm that we consent in principle to our Report or a summary of our Report being included in a [prospectus/offering memorandum/any ongoing investor materials (the **Materials**)] in connection with the proposed transaction, provided that:

- (a) the Report or any summary shall not be published until such time as we have first approved the form and context in which the Report or summary appears (such approval not to be unreasonably withheld or delayed) and are satisfied that the Report has been accurately reproduced or the summary is sufficiently accurate and comprehensive (as the case may be);
- (b) the Materials shall make clear that, with the exception of the Report or summary, Savills does not accept any responsibility for any part of the Materials or any other information issued by Starz Mortgage Capital Ltd or any other person in connection with the proposed transaction;
- (c) such Report or summary complies in all respects with the requirements of the Red Book and any applicable regulations or directives; and

if, in our opinion, any part of our Report becomes misleading or inaccurate between the date of issue of the Report and the date of issue of any Materials we reserve the right to withdraw our consent to your use of our Report or the summary unless and until we have made such amendments to it as we (acting reasonably and without undue delay) deem necessary or desirable, notwithstanding that our doing so may necessitate deferral of publication of the relevant materials.

(iii) Where any Addressee is a lender, in the event of a proposal to place the loan on the Property in a syndicate, you must notify us so that we can agree the extent of our responsibility to further named parties. If this is not done or we do not agree to be responsible to further named parties, we shall have no responsibility to any party other than the Addressee(s).

(iv) Draft reports, if provided, will be sent on the basis that they are provisional (i.e. subject to completion of our final report) and for your internal purposes only. They must not be published or disclosed and you will not be entitled to rely upon them for any purpose whatsoever. Savills neither owes nor accepts a duty of care to you in connection with any drafts and shall not be liable to you for any loss, damage, cost or expense of whatever nature caused by your use of or reliance on them. Should you choose to rely upon a draft you do so entirely at your own risk and you are responsible for carrying out your own independent investigations.

(m) Confirmation that the valuation will be undertaken in accordance with IVS

We confirm we will prepare our Valuation in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, and where applicable, with the UK National Supplement effective 14 January 2019, together the “Red Book”.

We also confirm that the valuers will assess the appropriateness of all significant inputs.

(n) The basis on which the fee will be calculated:

(i) The agreed fee for the provision of the Valuation is £15,000 plus VAT and is payable in pounds sterling. This fee is inclusive of expenses.



- (ii) Our agreed fee and any expenses, together with any VAT (at the prevailing rate) on such amounts, shall become due and payable by you to us within 30 days of us issuing you with a valid VAT invoice in respect of such amounts. In the event that our fee is not paid by the date for payment we reserve the right to charge default interest at a rate of 4% above the Barclays Bank base rate for payment.
  - (iii) You have informed us that our agreed fee is to be paid by Starz Mortgage Capital Limited.
  - (iv) In the event of our instructions being terminated at any time prior to completion of our work, a fee will become payable on a time basis (at our prevailing rates) for work carried out up to the date of termination, subject to a minimum of 50% of the agreed fee, together with all expenses incurred.
  - (v) If we require any expenditure on solicitors or other third parties we will consult with you and Starz Mortgage Capital Ltd. In advance of incurring said fees. Once agreed, such amounts will be payable by Starz Mortgage Capital Limited.
  - (vi) If we perform any additional services for you, we will agree an additional fee with you in respect of such services and such fee shall be payable in the manner set out above.
  - (vii) You acknowledge that you shall not be entitled to rely upon our Report until such time as our fees have been paid as detailed here.
- (n) Savills Complaints Handling Procedure
- A copy of our Client Complaints Handling Procedure can be made available to you on request.
- (o) Monitoring under RICS conduct and disciplinary regulations
- Savills (UK) Limited is regulated by RICS for the provision of surveying services. This means we agree to uphold the RICS Rules of Conduct for Firms and all other applicable mandatory professional practice requirements of RICS, which can be found at [www.rics.org](http://www.rics.org). As an RICS regulated firm we have committed to cooperating with RICS in ensuring compliance with its standards. The firm's nominated RICS Responsible Principal is Nicola McGinnis ([nmcginnis@savills.com](mailto:nmcginnis@savills.com)), Chief Financial Officer.

#### LIMITATIONS ON LIABILITY

8. Subject to paragraph 12 below, our aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Report under or in connection with this agreement and our Valuation, however that liability arises (including, without limitation, a liability arising by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to the lower of:
- (a) 33% of the Value (as defined below) of the Property stated in our Report; and
  - (b) £25,000,000.
9. In paragraph 8, **Value** means:
- (a) where more than one value is stated for the same Property on different bases, the highest valuation figure recorded in our Report; and
  - (b) in the case of valuations of portfolios, estates, shopping centres and other multi-unit properties within one Report, the aggregate of our valuations included in the one Report.
10. You acknowledge and agree that we shall not be liable under or in connection with this agreement and the provision of our Valuation in tort (including negligence), breach of contract, breach of statutory duty or otherwise due to, under and/or

arising out of or in connection with this agreement to the extent such loss or damage is consequential, indirect, special or punitive.

11. You acknowledge and agree that none of our employees, partners or consultants individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring a claim against any such individuals personally in connection with our services.
12. Nothing in this agreement shall exclude or limit our liability for death or personal injury caused by our negligence or for any other liability that cannot be excluded by law.

#### **INSURANCE**

13. During the period that we are producing our Valuation and for a period of six years thereafter, we will maintain in force, with insurers or underwriters approved by the RICS, professional indemnity insurance in an amount not less than the amount of our liability cap, as calculated pursuant to clause 8 above and shall, on your request, produce confirmation of the same from our insurance broker.

#### **RELIANCE**

14. As stated above, we accept responsibility for our Report only to the Addressees and no third party may rely on our Report. We do not accept any responsibility to, and shall have no liability in respect of, any third parties unless otherwise agreed in writing even if that third party pays all or part of our fees, or is permitted to see a copy of our Valuation. In addition, the benefit of our Report is personal and neither you nor any other Addressee may assign the benefit of our Report to any third party without our prior written consent (with such consent to be given or withheld at our absolute discretion). You acknowledge that if we agree to extend reliance on our Report to any third party or to the benefit of our Report being assigned, we will require the relevant third party or assignee to enter into a reliance letter before such party is entitled to rely upon our Report. We will provide you with a copy of our reliance letter on request. If we agree to any such extension or assignment, we may charge you an additional fee.

#### **CONFIDENTIALITY**

15. Neither party shall disclose any confidential information relating to the affairs, business, customers or clients of the disclosing party to any other party without the disclosing party's prior written consent except to those of the receiving party's employees, officers, representatives and/or advisors who need to know the information for the purposes of carrying out the receiving party's obligations under this agreement (save to the extent that the receiving party is compelled to disclose such information by law).
16. Our Report is confidential to and for the use only of the Addressees. However, copies of the Report and this letter may be disclosed for information only, on a non-reliance basis and without any liability for us to:
  - (a) to any director, officer, employee, representative, agent, auditor and professional advisor of any Addressee;
  - (b) to any affiliate of an Addressee or its related entities (as defined in the Facility Agreement);
  - (c) to any actual or potential lender, assignee, transferee or participant under the Facility Agreement;
  - (d) to any lender or potential lender to any Addressee;
  - (e) to any servicer or special servicer of the Facility;
  - (f) to any potential issuer of, or potential investor in, commercial mortgage backed securities issued in connection with the Facility and any agent or trustee appointed in relation to such securities;
  - (g) where disclosure is requested or required by law, court order or regulation or in connection with any legal or arbitration proceedings or requested or required by any competent judicial, governmental, supervisory, banking, taxation or regulatory body or required by the rules of any stock exchange or listing authority;
  - (h) to any rating agency actually or potentially rating any commercial mortgage backed securities issued in connection with the Facility;

- (i) to monoline insurers, verification agents and their affiliates and professional advisors;
- (j) to administrative, settlement or number service providers; and
- (k) to the respective directors, officers, employees, representatives, agents, trustees, auditors and professional advisors of each of the parties referred to in paragraphs (b) to (k) (inclusive) above.

17. We confirm that:

- (a) References to the Report may be included in any document provided to any potential providers of finance and their respective directors, officers, employees, agents, trustees and professional advisors in connection with any syndication of or back to back financing of the Facility, provided that such references are included expressly on a non-reliance basis and without any liability for us, provided the relevant Addressee requires such person to keep the Report confidential.

#### **DATA PROTECTION**

18. We may use your personal information in our provision of services to you. Please see our Privacy Notice for details of how your personal information will be used. Our Privacy Notice can be found at the following web address: <http://www.savills.co.uk/footer/privacy-policy.aspx>

#### **REINSTATEMENT COSTS**

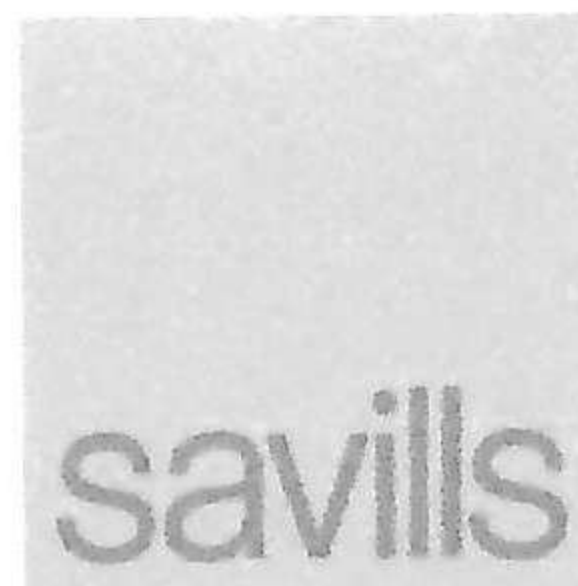
19. If you have instructed us to report on the reinstatement cost of the Property for insurance purposes, we will provide you with an approximate opinion of such cost only. You acknowledge and agree that the provision of our opinion of the reinstatement cost is provided to you strictly without liability and on a non-reliance basis. If you require a reinstatement cost figure on which you may rely, please let us know and we will ask our building surveying colleagues to provide a fee estimate.

#### **SUB-CONTRACTING**

20. We may sub-contract the provision of any services to be performed by us pursuant to this agreement (including, without limitation, to other companies that are direct or indirect subsidiaries of Savills plc) provided that we will remain responsible to you for the provision of those services and the provision of our Report. We may request that you pay any sub-contractor directly for those of our fees which relate to work carried out by the sub-contractor. In these circumstances, the fees in question are to be paid by you directly to the sub-contractor and we will be entitled to assign to the sub-contractor any rights that we have in respect of those fees.

#### **MONEY LAUNDERING**

21. You shall promptly, upon request, provide us with any information reasonably required to enable us to comply with our obligations under the Money Laundering Regulations and our internal compliance policies relating to the same. For the avoidance of doubt, searches may also be conducted on your directors and "beneficial owners" as is required by the legislation. You agree that we may retain such information and documentation for these purposes and make searches of appropriate databases electronically. If such information is not provided within a reasonable time or you do not meet the requirements set out in our relevant internal policies, we may terminate this instruction immediately upon written notice to you.
22. The provision of our services is a business in the regulated sector under the Proceeds of Crime Act 2002 and, as such, we are required to comply with this legislation which includes provisions that may require us to make a money laundering



disclosure in relation to information we obtain as part of our normal work. It is not our practice to inform you when such a disclosure is made or the reasons for it because of the restrictions imposed by the 'tipping off' provisions of the legislation.

#### **HEALTH AND SAFETY**

23. If we are undertaking physical inspections of the Property, you shall take reasonable steps to procure that the owner and/or occupier of the Property: (a) advises us of any hazards to which our staff may be exposed at the Property (b) provides us with any relevant health and safety policies and (c) arranges for any site visits to the Property to be hosted by a representative of the owner/occupier of the Property.

#### **JURISDICTION**

24. This agreement and any dispute arising from the Valuation is subject to English jurisdiction and law.

#### **APPENDICES**

25. Your attention is drawn to the attached appendices which form part of the agreement between us and on which our Valuation will be reported. By signing a copy of this letter you are also confirming your agreement to them.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Liam Dowdell".

**Liam Dowdell MRICS**  
RICS Registered Valuer

For and on behalf of Savills Advisory Services Limited

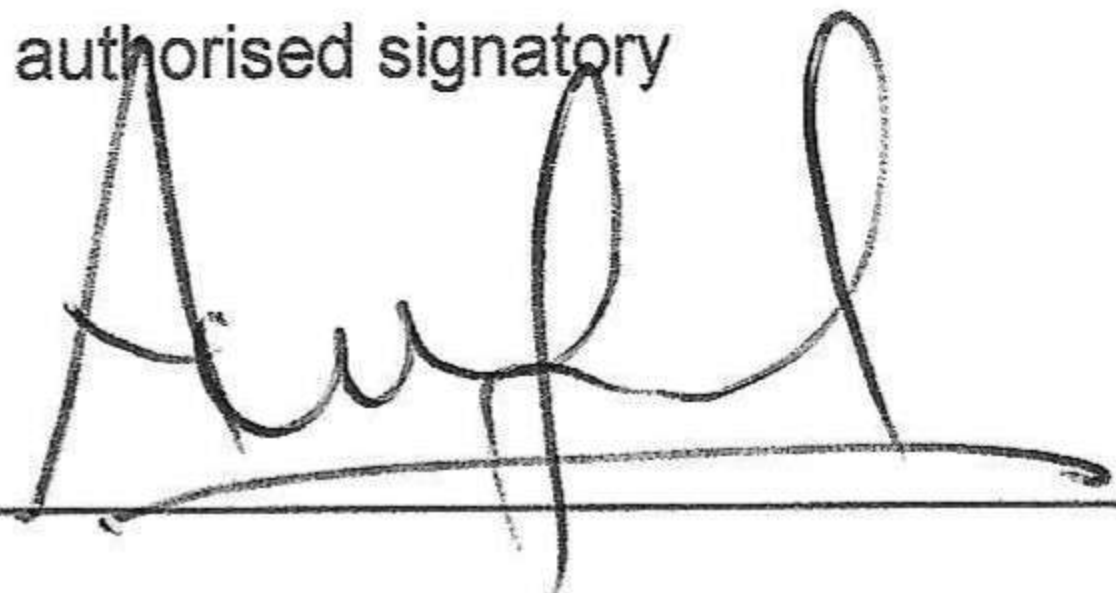


## Client Acceptance

I confirm Trimont Real Estate Advisors, U.K., Limited's agreement to this letter and the attached appendices and, in particular, confirm that the limitation on liability set out in paragraph 8 above is acknowledged, considered reasonable and accepted:

Signed by Trimont Real Estate Advisors, U.K., Limited, by its duly authorised signatory

Signature

  
\_\_\_\_\_

Name (in capitals)

\_\_\_\_\_ ALEC W SEXTON  
\_\_\_\_\_ Authorised Signatory

Position

\_\_\_\_\_

Date

\_\_\_\_\_ 4 - JUNE - 2021  
\_\_\_\_\_

## Appendix 1: Definitions and Bases of Valuation

### Assumption

A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true (RICS Valuation – Global Standards, 2020).

### Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (RICS Valuation – Global Standards, 2020).

### Existing Use Value

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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost (RICS Valuation – Global Standards 2017, UK national supplement).

*Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.*

### External Valuer

A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment. (RICS Valuation – Global Standards 2020). Unless otherwise stated, External Valuer does not refer to the role of an external valuer within the context of the Alternative Investment Fund Managers Directive 2011/61/EU and its implementing provisions in the United Kingdom unless agreed otherwise in writing.

### Equitable Value

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 104 – Bases of Value), (RICS Valuation – Global Standards 2020).

### Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (RICS Valuation – Global Standards 2020).

### Gross Development Value (GDV)

The aggregate market value of the proposed development, assessed on the assumption that the development is complete at the date of valuation in the market conditions prevailing at that date.

### Investment Value (or Worth)

The value of an asset to a particular owner or prospective owner for individual investment or operational objectives (RICS Valuation – Global Standards 2020).

### Market Rent

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a 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 (RICS Valuation – Global Standards 2020).

**Market Value**

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 (RICS Valuation – Global Standards 2020).

**Market Value for Capital Gains Tax, Inheritance Tax, Stamp Duty Land Tax and the Annual Tax on Enveloped Dwellings**

The price which the property might reasonably be expected to fetch if sold in the open market at that time, but that price must not be assumed to be reduced on the grounds that the whole property is to be placed on the market at one and the same time (RICS Valuation - Global Standards 2017: UK national supplement).

**Special Assumption**

An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date (RICS Valuation – Global Standards 2020).



## Appendix 2: General assumptions and conditions applicable to all valuations

Unless otherwise agreed in writing and /or stated in our report, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property(ies) is/are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and good title can be shown. Should there be any mortgages or charges, we have assumed that the property(ies) would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Property(ies), and that the information supplied to us and summarised in this Report is both complete and correct.
3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Property(ies) is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property(ies) and our Report do not constitute a building survey or any warranty as to the state of repair or refurbishment of the Property(ies). Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.
6. That there is unrestricted access to the Property(ies) and that the site(s) is/are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. Sewers, mains services and roads giving access to the Property(ies) have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
8. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
9. That the Property(ies) is/are free from environmental hazards, including infestation from invasive plants (such as Japanese Knotweed), and has/have not suffered any land contamination in the past, nor is likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That any tenant(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
11. In the case of a Property(ies) where we have been asked to value the site under the special assumption that the Property(ies) will be developed, there are no adverse site or soil conditions, that the Property(ies) is/are not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

12. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property(ies).
13. Our Valuation will be exclusive of VAT (if applicable).
14. No allowance will be made for any expenses of realisation.
15. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
16. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
17. In the case of a Property(ies) where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property(ies) in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
18. No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation, insofar that the latter is applicable.
19. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

### **Appendix 3: Further General Assumptions applicable to residential valuations**

The following general assumptions apply to residential property valuations and are in addition to the general assumptions at Appendix 2.

1. Where the Property comprises flats or maisonettes, unless instructed or otherwise aware to the contrary, we will assume that:
  - (a) The costs of repairs and maintenance of the building and grounds are shared equitably between the flats and maisonettes.
  - (b) There are suitable, enforceable covenants between all leaseholds, or through the landlord or the owner.
  - (c) There are no onerous liabilities outstanding.
  - (d) There are no substantial defects, or other matters requiring expenditure (in excess of the current amount or assumed amount of service charge payable on an annual basis), expected to result in charges to the leaseholder, or owner of the Property, during the next five years, equivalent to 10% or more of the reported Market Value.
  
2. Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided, the following further assumptions will be made, unless instructed to the contrary:
  - (a) The unexpired term of the lease is 85 years, and no action is being taken by any eligible party with a view to acquiring the freehold or to extending the lease term.
  - (b) That there are no exceptionally onerous covenants upon the leaseholder.
  - (c) The lease cannot be determined except on the grounds of a serious breach of covenant in the existing lease agreement.
  - (d) If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.
  - (e) The lease terms are mutually enforceable against all parties concerned.
  - (f) There are no breaches of covenants or disputes between the various interests concerned.
  - (g) The leases of all the properties in the building/development are materially the same.
  - (h) The ground rent stated or assumed is not subject to unreasonable review and is payable throughout the expired lease term.
  - (i) In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.
  - (j) There is a dutyholder, as defined in the Control of Asbestos Regulations 2012, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.
  - (k) Where the Property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use.
  - (l) Where the Property forms part of a development containing separate blocks of dwellings, the lease terms of the Property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.

- (m) Where the Property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.
  - (n) There are no unusual restrictions on assignment or sub-letting of the Property for residential purposes.
  - (o) There are no outstanding claims or litigation concerning the lease of the Property or any others within the same development.
  - (p) Where the Property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance.
3. In respect of insurance the following assumptions will be made, unless instructed otherwise:
- (a) The Property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.
  - (b) There are no outstanding claims or disputes.
  - (c) Where individuals in a block makes separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations and
  - (d) Any landlord responsible for insurance is required to rebuild the Property with the alterations that may be necessary to comply with current Building Regulations and planning requirements.



## Appendix 2





# Brenchley House

123-135 Week Street, Maidstone, Kent, ME14 1RF

## Ground Floor

### Net Internal Area

N/A Reception:	89.12 sq m	959 sq ft
N/A T/A Venture:	148.08 sq m	1,594 sq ft
N/A T/A Wetherspoons:	444.45 sq m	4,784 sq ft
N/A T/A Utopia/		
Apollo Taxis:	83.02 sq m	894 sq ft
N/A T/A Gym:	219.52 sq m	2,363 sq ft
N/A Building	4.93 sq m	53 sq ft
Management Area:		
Ancillary Storage:	36.80 sq m	396 sq ft

**Total NIA:** 1,025.92 sq m 11,043 sq ft

The below areas have been excluded from the NIA:

Columns x 30:	4.75 sq m	51 sq ft
Areas rendered unusable:	11.62 sq ft	125 sq ft

### Gross Internal Area

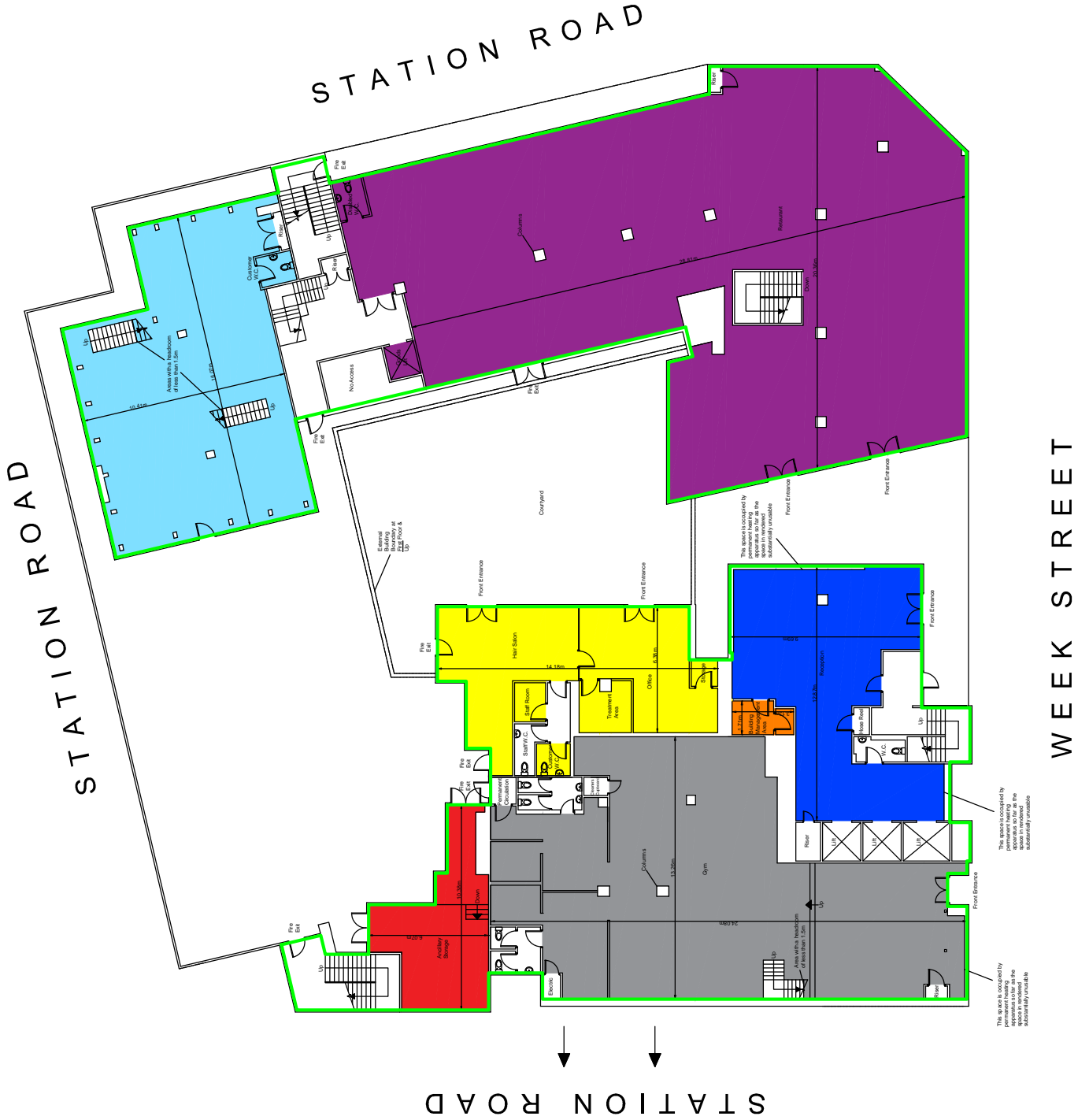
GIA:	1,220.99 sq m	13,143 sq ft
------	---------------	--------------



Scale 1:200 @ A3

## Ground Floor Plan

PROJECT Brenchley House 123-135 Week Street Maidstone Kent ME14 1RF	
TITLE	Ground Floor
SCALE	1:200 @ A3
Area Measurement Report DRAWN BY: J. WILSON DATE OF MEASUREMENT: GM 15/04/15 18:03/15 DWG NO.: 10115041	



STATION ROAD

WEEK STREET

# Brenchley House

123-135 Week Street, Maidstone, Kent, ME14 1RF

## Mezzanine Floor

### Net Internal Area

NIA T/A Venture:	119.80 sq m	1,290 sq ft
NIA T/A Wetherspoons:	117.16 sq m	1,261 sq ft
NIA T/A Gym:	45.06 sq m	485 sq ft

**Total NIA:** 282.02 sq m 3,036 sq ft

The below areas have been excluded from the NIA:

Column x 1:	0.16 sq m	2 sq ft
Headroom <1.5m:	3.08 sq ft	33 sq ft

### Gross Internal Area

**GIA:** 372.58 sq m 4,010 sq ft



Scale 1:200 @ A3

## Mezzanine Floor Plan

PROJECT Brenchley House 123-135 Week Street Maidstone Kent ME14 1RF	
TITLE	Mezzanine Floor
SCALE	1:200 @ A3
Area Measurement Report DRAWN BY: J. GIBSON DATE OF MEASUREMENT: 18/03/15 DATE ISSUED: 10/11/2014 DRAWN TO: 10115041	





1 First Floor Wall Types  
152 1:100

LOCATION PLAN SCALE 1/1000

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NOTES

WALL TYPES

- Ex Existing Wall
- WT01 Separation Wall 200mm (60 min Fire Resistance)
- WT02 Internal Separation Wall 100mm (30 min Fire Resistance)
- WT03 Linings 85mm
- WT04 Fire lining 107mm (120 min Fire Resistance)
- WT05 Shaft Partition 87mm (60 min Fire Resistance)
- WT06 Dot & Dab to existing columns
- WT07 Lining existing columns (60 min Fire Resistance)
- WT08 Upgrading external columns
- WT09 Upgrading existing external walls

Refer to drawing 452-55-520 & 521 for further information of build ups.

All retained masonry walls are to be made good and to have a scratch coat applied to either side.

When WT04 & WT05 partitions act as a lining to an existing masonry wall retained masonry walls, cavity between wall and lining is to be 35 mm and 25 mm Isover APR 1200 Is to be included in the void.

Revisions

A	AOV	09 Nov 2017	J5
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Stage

Construction

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Job title

Brenchley House  
Week St, Maidstone ME14 1RF

Drawing title

Wall Types  
First Floor

Created by	Checked by	Scale	Date
JC	RS	1:100 @ A1	24 July 2017

Job	Stage	Drawing	Revision
452	- 5 -	152	A

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Revisions

A	AOV	09 Nov 2017	JS
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Client

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Stage

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Job title

Brenchley House  
 Week St, Maidstone ME14 1RF

Drawing title

Wall Types  
 Second Floor

Created by	Checked by	Scale	Date
JC	RS	1:100 @ A1	24 July 2017

Job	Stage	Drawing	Revision
452	- 5 -	153	A



42-82.  
 1 Second Floor Wall Types  
 153 1:100  
 (40)

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Revisions

A	AOV	09 Nov 2017	JS
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Client

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Job title

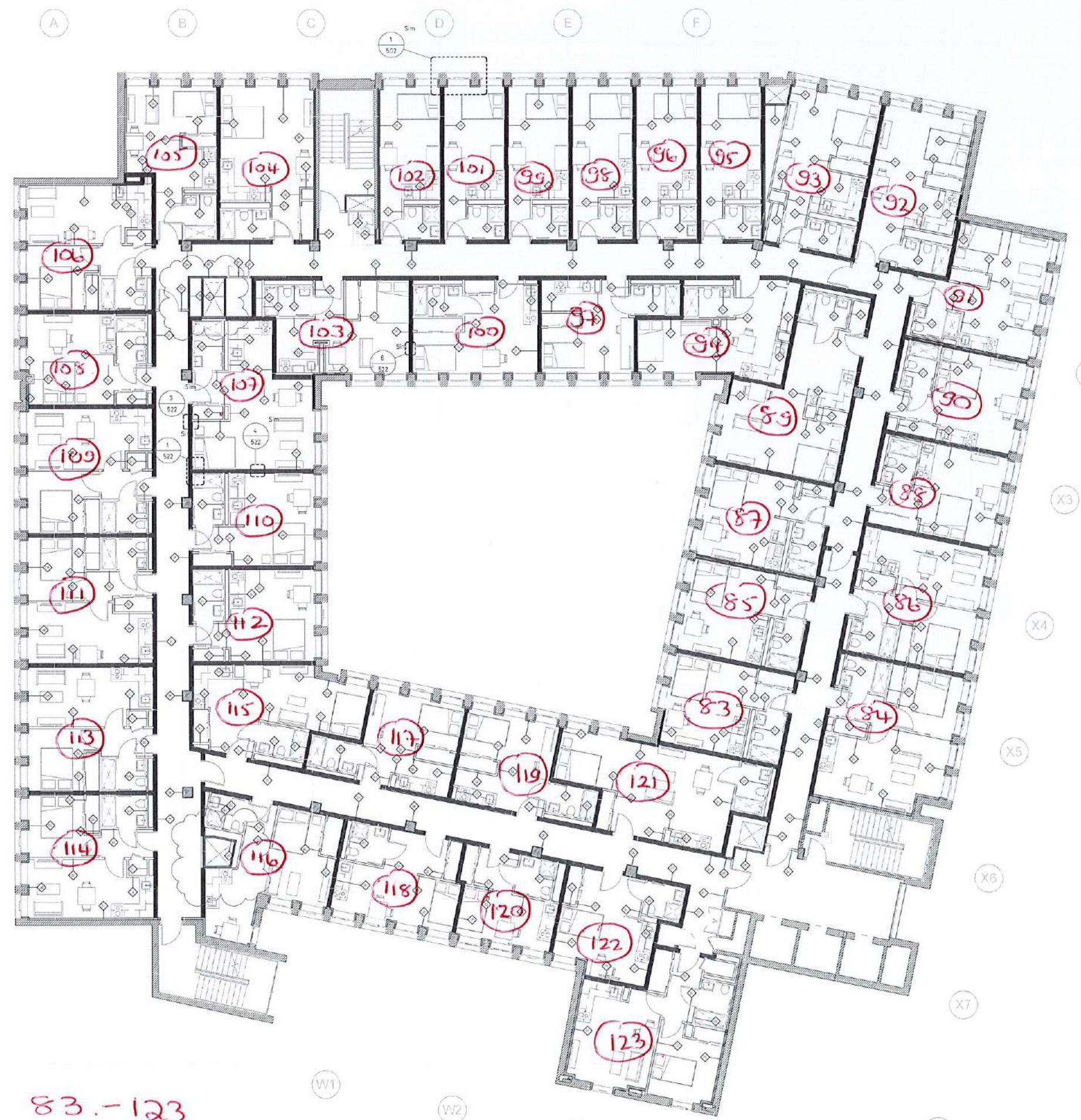
Brenchley House  
 Week St, Maidstone ME14 1RF

Drawing title

Wall Types  
 Third Floor

Created by	Checked by	Scale	Date
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Job	Stage	Drawing	Revision
452	- 5 -	154	A



83.-123











1 Third Floor Wall Types  
 154 1:100

41

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Revisions		
A	AOV	09 Nov 2017 JS

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Stage  
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Week St, Maidstone ME14 1RF

Drawing title  
Wall Types  
Fourth Floor

Created by	Checked by	Scale	Date
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Job	Stage	Drawing	Revision
452	- 5 -	155	A



124-158.

1 Fourth Floor Wall Types  
155 1:100

A B C D E F

1  
2  
3  
4  
5  
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7



159 - 192.

1 Fifth Floor Wall Types  
156 1:100

LOCATION PLAN SCALE 1/1000

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Revisions		
A	AOV	09 Nov 2017 JS

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Drawing title  
Wall Types  
Fifth Floor

Created by	Checked by	Scale	Date
JC	RS	1: 100 @ A1	24 July 2017

Job	Stage	Drawing	Revision
452	- 5 -	156	A



## Appendix 3



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# Prime Regional Market Commentary

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Q1 2021

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## Executive Summary

### Prime Regional Residential Market

- The prime regional markets outside of London witnessed an extraordinary surge in activity when the housing market reopened in May 2020 and this strong demand continued throughout the remainder of 2020 and into the start of 2021.
- As a result of increased activity, house prices across the prime regional markets of the UK rose by 2.2% in the first three months of this year, leaving annual growth at 5.1%. This is the strongest annual growth since September 2014, before the stamp duty reform.
- While the country house revival shows no sign of slowing, there has been renewed demand from buyers planning for their 'new normal'. This has supported increases in values for prime regional towns and cities where prices have increased by an average of 2.3% over the first quarter of 2021.
- There has been a behavioural change in some buyer preferences, both in terms of property attributes and location. These passion and lifestyle drivers are now much stronger than the more rational home mover choices.
- The ultra-prime country house market grew by 8.8% over the year to March 2021, the strongest performance for over a decade. However, values in this submarket remain on average -14.7% below the peak of 2007 and still look good value at a time of increased interest in countryside locations.
- There has been an increase in the proportion of London based buyers of prime regional property over the last year. The inner and outer commuter zone and wider south have seen the strongest uptick. This highlights the impact lifestyle drivers have had on the market with a desire to move into more rural and coastal hotspots of the UK.

### Market Outlook

- The extension to the stamp duty holiday will likely give greater urgency to buyers' search for a lifestyle change and a better work-life balance, resulting in a particularly active prime market over the first half of 2021.
- The underlying commitment to moving home is expected to remain strong over the course of 2021 and into next year. Our March survey indicated a strong buyer and seller commitment to move over the next 3, 6 and 24 months as a result of the vaccination programme and gradual easing of restrictions.
- The fundamentals of our medium-term view remain. Mortgage debt is likely to remain cheaper for longer, while prime property presents relatively good value in a global and historical context.
- Longer-term the wider tax environment and any longer-term implications of Brexit are likely to dictate price movements as they could impact the spending power of those looking to buy in the prime markets.



## 1. National Context

### 1.1. Economic Note

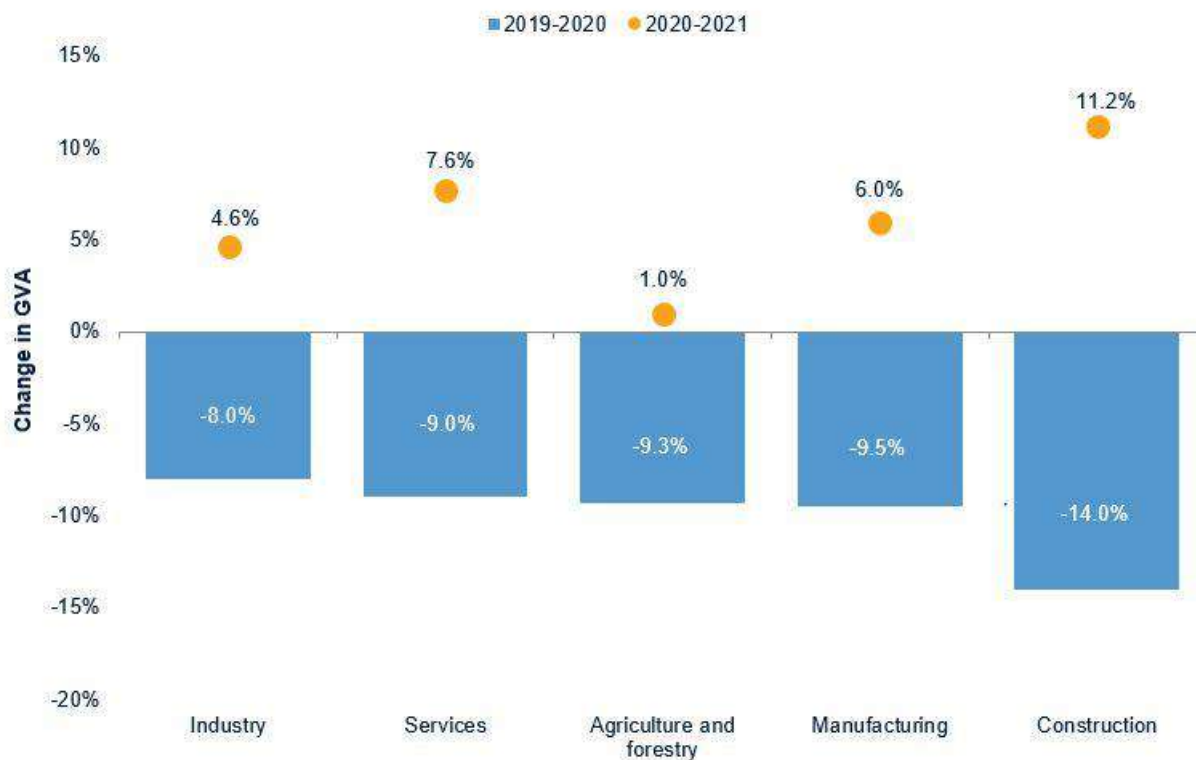
The first national lockdown in Q1 2020 marked the beginning of restrictions imposed in response to the Covid-19 pandemic. Although the lockdown only came into force at the very end of the first quarter, it was still enough to suppress growth across the country. The added impact of social distancing measures during Q2 resulted in further falls in GDP of -19.5%, the largest quarterly fall since records began in 1955. However, some easing of restrictions in the summer meant some of these contractions were reversed. But, a second national lockdown in November caused a temporary pause to the economic recovery and, as a result, GDP fell by a total of -9.8% during 2020.

In January 2021 GDP fell by -2.2%, but despite there being no changes to lockdown restrictions GDP rose by +0.4% in February. Early figures suggest this has continued into March and, as such, Oxford Economics are forecasting GDP to have only fallen by -1.7% in Q1 2021, much smaller than the -19.5% quarterly drop seen in Q2 2020, even though the country has remained in lockdown.

Looking forward, after revisions to historical data and the easing of social distancing restrictions over Q2 this year, Oxford Economics are now forecasting GDP growth in 2021 of +7.2%, up from the +6.8% forecast in March, followed by +5.7% growth in 2022.



Figure 1 – Change in Gross Value Added (GVA) by sector



Source: Oxford Economics

Between 2019 and 2020 all sectors saw a fall in economic output, given the impact of the pandemic on the UK's economy. Most sectors saw economic output fall by between 8.0% and 9.5% over 2020 but the construction industry was most impacted with a fall of -14.0%. However, this trend is not expected to continue in 2021. Gross Value Added (GVA) is forecast to increase for all sectors this year. The construction sector is anticipated to be the strongest performing with total economic growth of +11.2% during 2021. Whereas, the agriculture and forestry sector is forecast to see more subdued growth over the next year of only +1.0%.

**Table 1 – UK economic indicators (Quarterly % change)**

	GDP	Consumer Price Index (CPI)	Average earnings (% change)	Unemployment rate (LFS measure)
Q1 2016	0.2%	0.5%	2.1%	5.0%
Q2 2016	0.5%	0.5%	2.7%	4.9%
Q3 2016	0.5%	1.0%	2.5%	4.8%
Q4 2016	0.6%	1.6%	2.7%	4.7%
Q1 2017	0.6%	2.3%	2.2%	4.5%
Q2 2017	0.3%	2.6%	2.0%	4.3%
Q3 2017	0.3%	3.0%	2.3%	4.2%
Q4 2017	0.4%	3.0%	2.7%	4.3%
Q1 2018	0.1%	2.5%	2.5%	4.2%
Q2 2018	0.5%	2.4%	2.4%	4.0%
Q3 2018	0.6%	2.4%	3.2%	4.1%
Q4 2018	0.2%	2.1%	3.6%	3.9%
Q1 2019	0.6%	1.9%	3.4%	3.8%
Q2 2019	-0.1%	2.0%	3.9%	3.8%
Q3 2019	0.5%	1.7%	3.6%	3.8%
Q4 2019	0.0%	1.3%	2.9%	3.9%
Q1 2020	-2.9%	1.5%	2.2%	4.0%
Q2 2020	-18.8%	0.6%	-1.3%	4.3%
Q3 2020	16.1%	0.5%	1.5%	4.9%
Q4 2020	1.0%	0.6%	4.9%	5.0%

Source: UK Finance

## 1.2. Interest Rates

At the beginning of 2020 the Central Bank Base Rate stood at 0.75%. To try and temper the impact of the Covid-19 pandemic on the UK economy, the Base Rate was cut to 0.25% on 11<sup>th</sup> March 2020 and was then further reduced to 0.10% on 19<sup>th</sup> March.

In the latest Monetary Policy Committee (MPC) meeting on 17<sup>th</sup> March 2021, the committee voted unanimously to maintain the official Central Bank Base Rate at 0.10%. They also voted to continue the programme of UK government bond purchases, with the total target stock of asset purchases at £895 billion. The MPC stated that the current monetary policy remains appropriate but they will continue to monitor the situation closely and be ready to offer additional action if the outlook for inflation weakens.

Covid-19 and the measures to contain it have had a significant impact on the UK and many other countries around the world. It is unlikely that there will be a tightening of monetary policy or an increase in interest rates until significant progress is made to eliminate the economic capacity and the 2% inflation target is sustained. As a result, Oxford Economics are forecasting that the Bank Rate is likely to remain close to 0.10% until 2023 and then increase at a gradual pace to 0.75% by the end of 2026.

**Table 2 – Central bank base rate expectations (end of period)**

	2021	2022	2023	2024	2025	2026
<b>Base rate</b>	0.10%	0.10%	0.10%	0.25%	0.50%	0.75%

Source: Bank of England, Oxford Economics

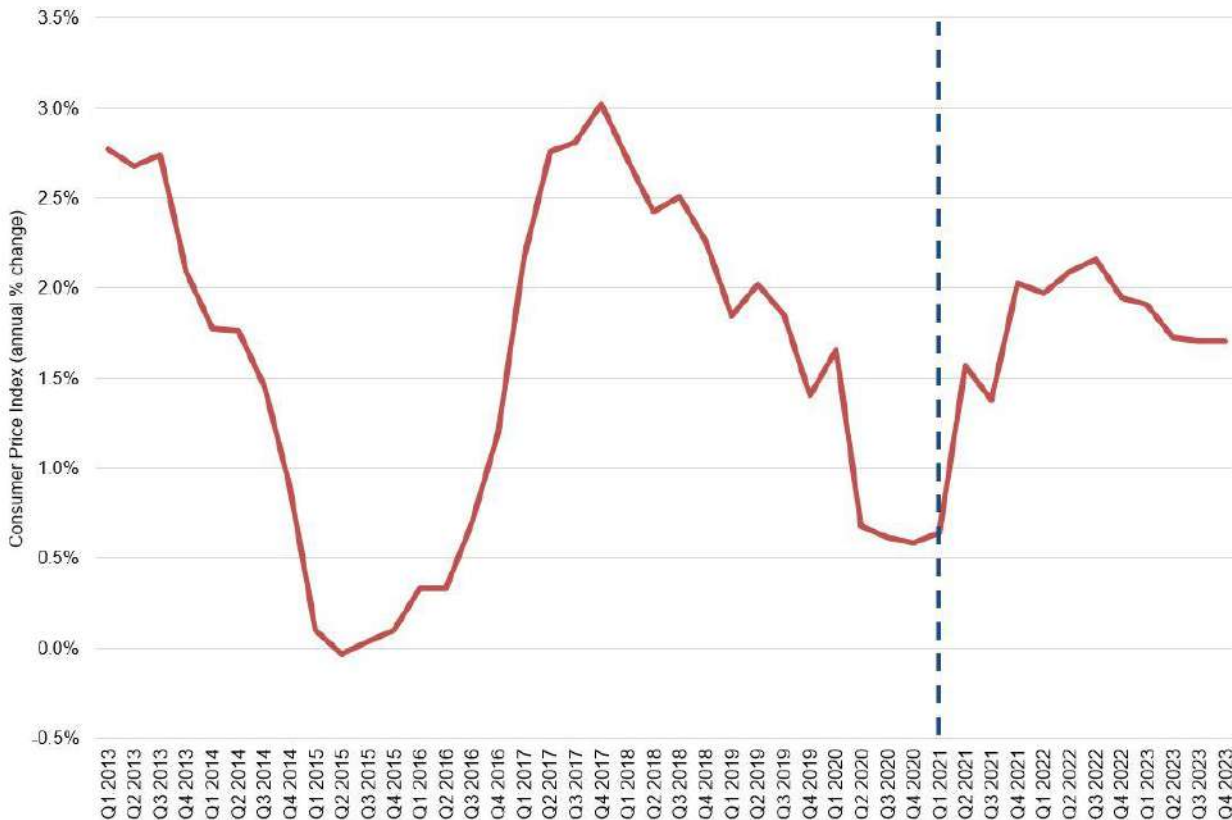
### 1.3. Inflation

Annual CPI inflation was high between 2015 and 2017 given the impact of the EU referendum, increasing national debt and rising fuel prices but it had been falling since the end of 2017. The Covid-19 pandemic and its associated lockdowns and restrictions have suppressed demand for a wide range of goods and services. This has resulted in a significant drop in inflation which has fluctuated marginally across the course of the pandemic.

In January 2021, CPI inflation began to increase to 0.7% but slowed to 0.4% in February, due to the disruption of usual seasonal patterns for clothing. However, CPI inflation accelerated again to 0.7% in March. This was mainly a result of higher fuel prices, with petrol prices having risen steeply between February and March. The continuation of unusual seasonal pricing patterns in the clothing sector also caused further upward pressure.

March is likely to mark the beginning of a sharp, but short-lived rise in inflation. Base effects as a result of last spring's collapse in oil prices are likely to continue to have an impact over the coming months. A planned rise in the energy price cap set for April will also increase pressure. As a result, Oxford Economics expect inflation to pick up to around 1.5% in April. However, they do remain sceptical that this is the beginning of a sustained increase and expect inflation to reach the 2% target towards the end of 2021 but any further increase beyond this to be limited and short-lived.

Figure 2– Consumer price index (CPI), annual % change



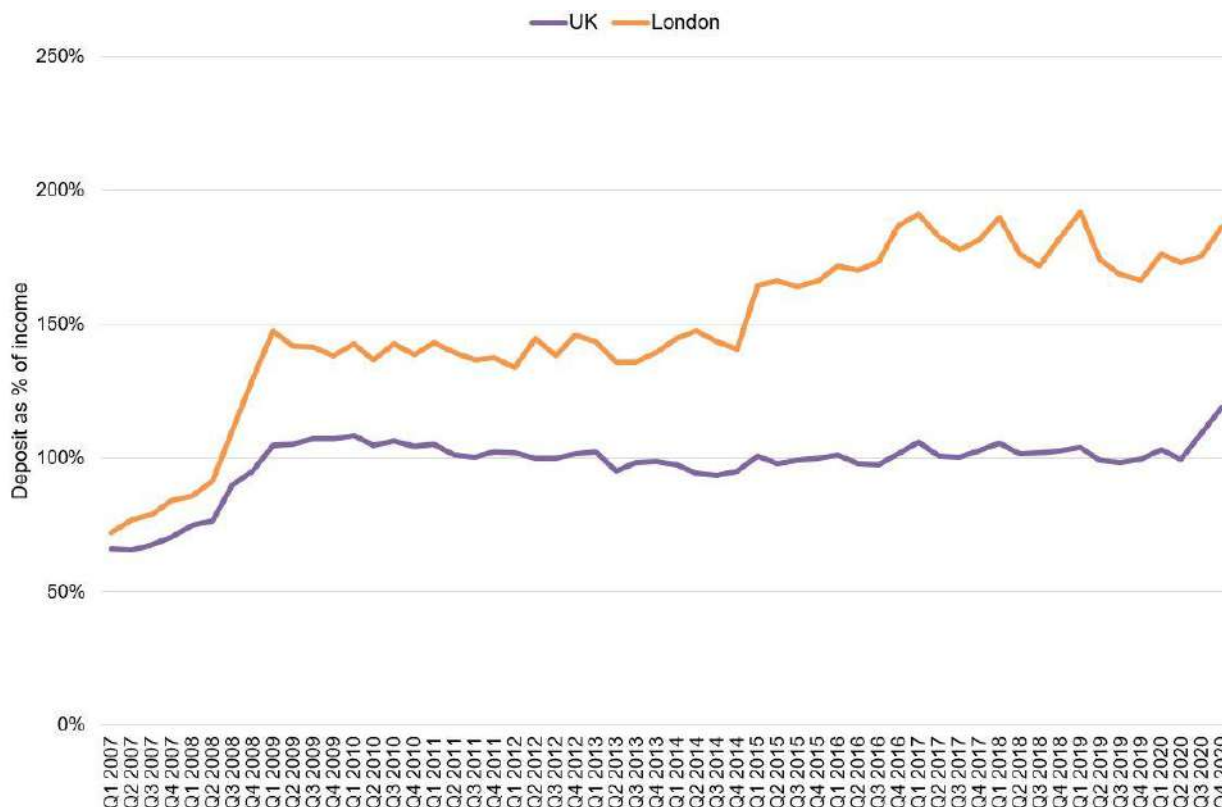
Source: Oxford Economics

## 1.4. Mortgage Markets

In the mainstream housing market, mortgage deposit requirements have increased significantly since 2007 and the amount buyers are borrowing relative to their income is reaching the limits of mortgage regulation. Deposit to income ratios for first time buyers stands at an average of 119% across the UK, compared to the lowest level of 66% seen in 2007. The ability of buyers to save up the equity for a deposit is a UK wide issue which has led to growing demand for rental property.



Figure 3– UK and London deposit as a % of income, Q4 2020



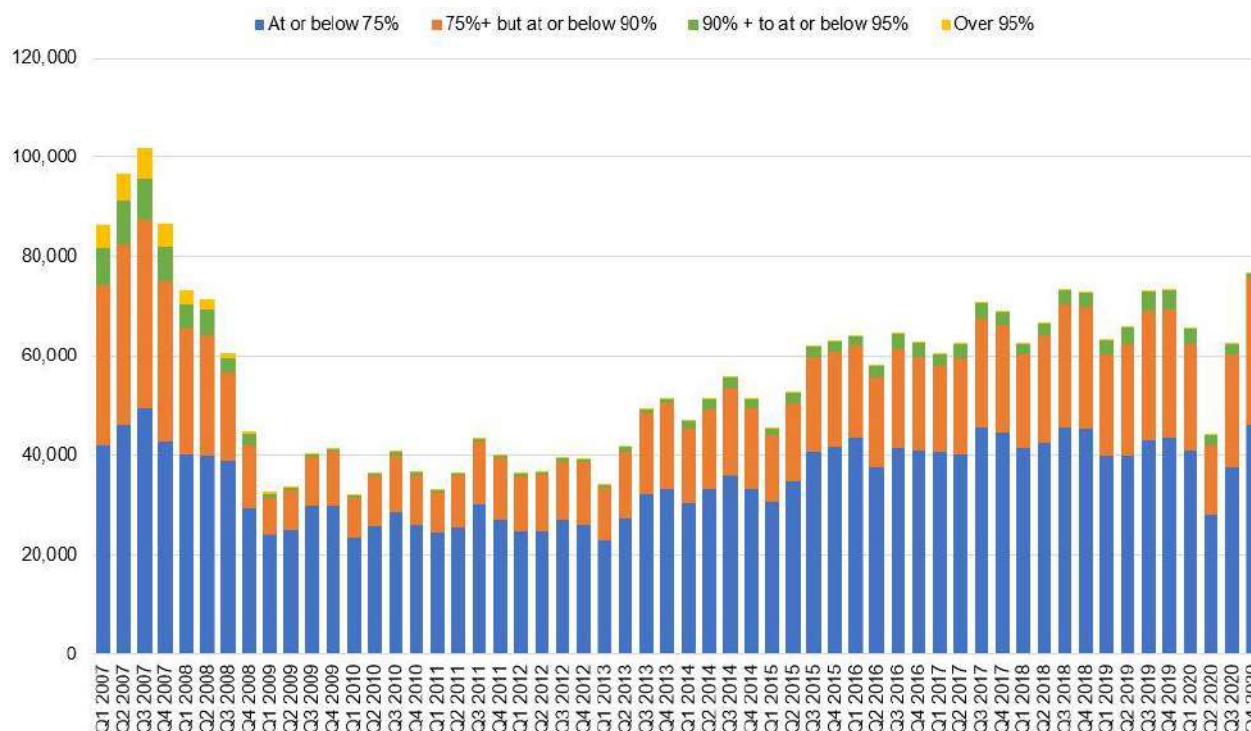
Source: UK Finance

UK Finance estimates that gross mortgage lending across the UK totalled £76.6 billion in Q4 2020. This marks a 23% increase on Q3 2020 and is 4.2% higher than Q4 2019. The estimated figures for Q4 2020 were the highest total gross mortgage lending recorded in a quarter since 2007, highlighting the continued momentum in the market.

The buy-to-let (BTL) sector has remained fairly subdued over recent years, reflecting the ongoing impact of tax and regulatory changes. However, in February 2021, the number of new BTL mortgages totalled 9,100, higher than the 7,400 seen in January and the 5,800 in February 2020. Total BTL mortgages are currently just under three quarters of the level of the pre-March 2016 annual average, before the introduction of the stamp duty surcharge for additional homes.

The Mortgage Market Review (MMR), introduced in April 2014, set out to reform the mortgage market to ensure it is sustainable and works better for consumers. Lenders are now fully responsible for assessing whether a customer can afford the loan and are required to verify all incomes. Mortgage lenders are now required to apply an interest rate stress test that assesses whether borrowers could still afford their mortgage if, at any point over the first five years of the loan, bank base rates were to increase by 3% from the rate at the time of the mortgage being given. In addition, in June 2014 the FPC proposed that lenders cannot lend more than 15% of mortgages at over 4.5 times a borrower’s income. Loan to Income (LTI) multiples are particularly high among those buying more expensive properties with mortgage debt. While the FPC’s cap on lending to high LTI multiples is unlikely to affect lending on a national level, it does highlight the higher levels of borrowing in the capital and hence where banks are likely to tighten their lending to reduce their risk exposure.

**Figure 4 - UK mortgage lending, Q4 2020**



Source: PRA/FCA (UK Finance)

As shown in Figure 4, since the introduction of MMR in April 2014, levels of mortgage lending activity in the UK have, in general, increased. Over the course of 2015 the Government introduced a number of initiatives to promote activity in the housing market including extending the Right to Buy scheme, introducing Help to Buy ISAs, Shared Ownership and the Starter Homes programme. The mortgage guarantee element of Help to Buy ended in 2016 and the equity loan element was initially due to run until 2021 but the Government has announced that it will now run on to 2023 but only for first time buyers and with regional value caps.



Since the Global Financial Crisis in 2007, levels of high loan to value (LTV) lending, at 90% or above, have greatly reduced (as shown by Figure 4). More recently, uncertainty around values and rising unemployment as a result of Covid-19 has added to lender caution, especially when lending at higher LTV and LTI ratios. Some lenders suspended higher LTV offerings during lockdown, with others removing bonus, overtime and commission as income that could be accepted on new mortgage applications. Many lenders have returned the number of higher LTV offerings but with a caveat of generally higher rates, particularly impacting first-time buyers who are typically borrowing at higher LTV ratios. In response, the Prime Minister stated in October that he planned to introduce a low deposit (95% LTV) mortgage scheme in the aim of supporting his 'Generation Buy'. The scheme was open from 19<sup>th</sup> April 2021 with participating lenders offer new 95% mortgages until 31<sup>st</sup> December 2022.

Going forward, there is uncertainty for the BTL section of the mortgage market due to a number of policy changes that were announced from 2015 onwards. In the Summer 2015 budget, a limit on mortgage interest tax relief for buy-to-let mortgages was announced. This change, which means landlords will only be able to claim tax relief on their mortgage interest payments at the basic rate of 20%, was phased in over the three years to April 2020.

In March 2016, the Bank of England announced that they want lenders to make income checks more stringent for buy-to-let investors by checking more than just rental income and considering their wider finances. The Bank also wants lenders to test whether potential borrowers can still afford monthly payments at higher interest rates. As well as this, the 3% stamp duty surcharge on "additional homes" came into effect on 1st April 2016.

### 1.5. Market Indicators

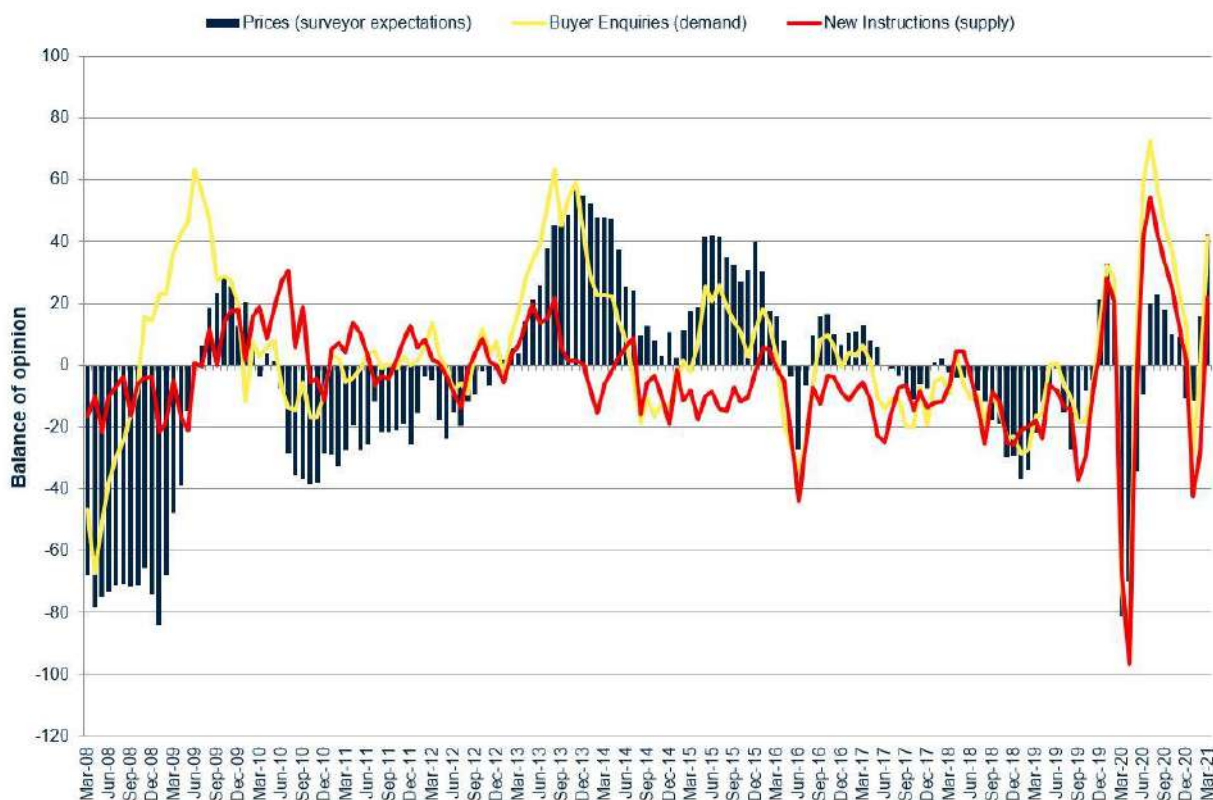
The RICS Residential Survey can act as a forward looking indicator of future price movements. The survey monitors surveyor opinion on the balance of new buyer enquiries and new instructions across the UK each month.

Since the EU referendum in June 2016, both new instructions and new buyer enquiries were pretty consistently in negative territory. Following the general election at the end of 2019 there was a degree of recovery both in terms of supply and demand, in the three months of December 2019 and January and February 2020. However, after the country went into lockdown in March 2020 there was unsurprisingly a sharp contraction in both the number of new buyer enquiries and new instructions. Key activity indicators remained in negative territory over April and May as the ongoing lockdown measures continued to keep estate agents closed and stifle activity. In June the survey started to suggest a recovery emerging across the market with sales expectations and supply and demand levels rebounded back into positive territory which looked to continue albeit at a slower pace over the remainder of 2020.

The most recent survey in March 2021 points to a relatively sharp increase in sales activity over the month. In terms of new buyer enquires, a net balance of +42% reported an increase in enquires during March. This is an uptick on the previous monthly reading of zero and marks the strongest return since September 2020. The volume of new instructions coming to the market also picked up, albeit not as strongly as demand but with a net balance of opinion of +22%. The survey participants highlighted the extension to the stamp duty holiday as a significant driving force behind the renewed momentum. However, a common theme reported in the March survey was that demand was running ahead of supply, and more new instructions will be needed to balance the market going forward.



Figure 5 - Balance of Opinion England and Wales, March 2021



Source: RICS Residential Market Survey, Savills Research

## 1.6. House Prices

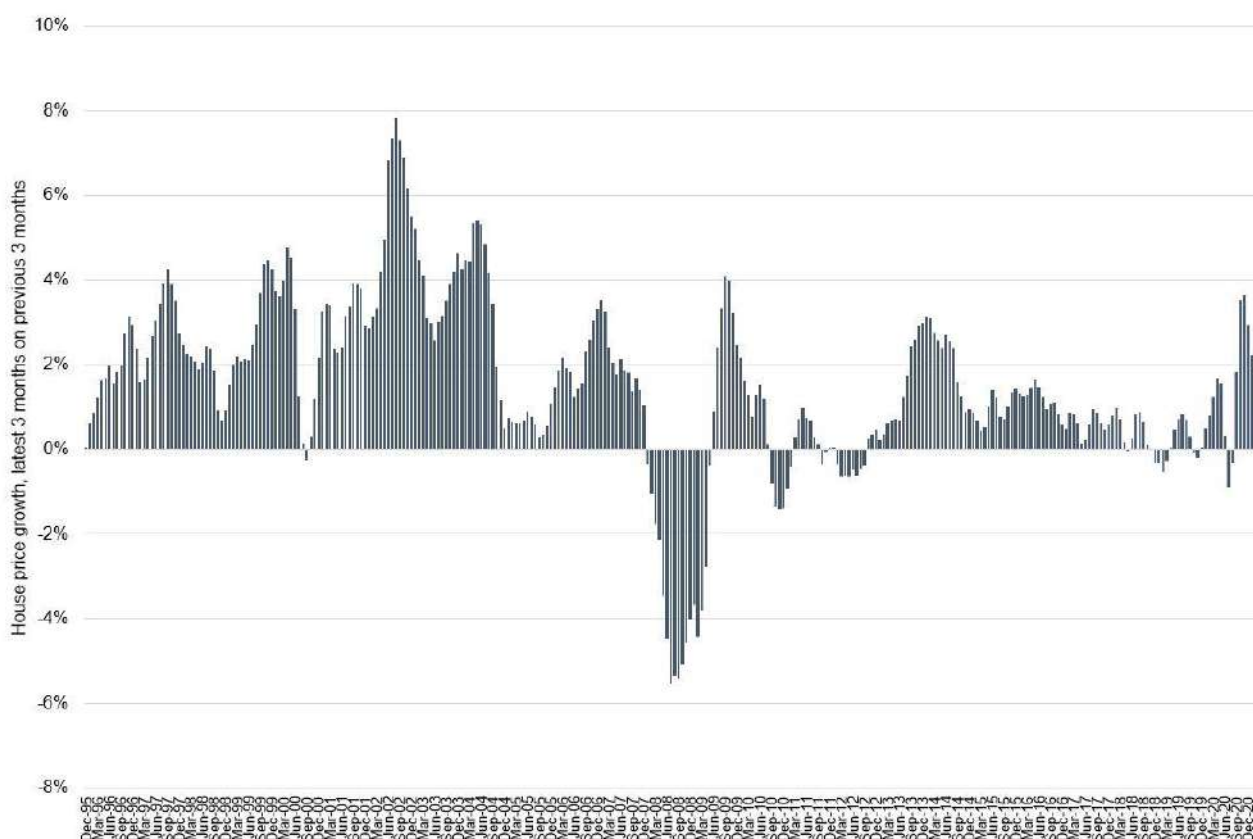
Following the house price falls resulting from the credit crunch in 2008, house prices across the UK remained relatively static for a number of years. Higher levels of house price growth began to be seen from mid-2013, underpinned by a sustained improvement in the economy, a low interest rate environment and pent up demand. During 2015, following the introduction of MMR and other changes to mortgage regulation, there was a slowdown in both the rate of price growth and the number of transactions. Political and economic uncertainty as a result of the UK’s vote to leave the EU means that low levels of house price growth have been seen since 2016, with total growth of 1.4% recorded for 2019.

The first few months of 2020 saw house price growth begin to pick up momentum across the UK. But it is important to note the impact of lockdown may not have been initially captured as the Nationwide index is constructed using mortgage approval data, and there is a lag between mortgage applications being submitted and subsequently approved. As expected, houses prices fell by -1.6% and -1.5% in May and June respectively, due to the impact of lockdown. However, in July house prices began to increase again, highlighting the recovery in the market with pent up demand and the stamp duty holiday adding to momentum. The strong activity continued over the end of last year, resulting in total growth of 7.3% for 2020, the highest in six years.



Over the first quarter of 2021 house price growth has slowed slightly. Price were down 0.2% in March, with annual growth of 5.7% over the past twelve months. This softening in prices may be a result of a slight lull in demand ahead of the original end of the stamp duty holiday. But, given the stamp duty holiday extension and better than expected economic performance, housing market activity is expected to remain buoyant over the next 6 months. However, a possible rise in unemployment could see activity slow towards the end of 2021.

**Figure 6 – Nationwide 3 month on 3 month UK house price growth – March 2021**



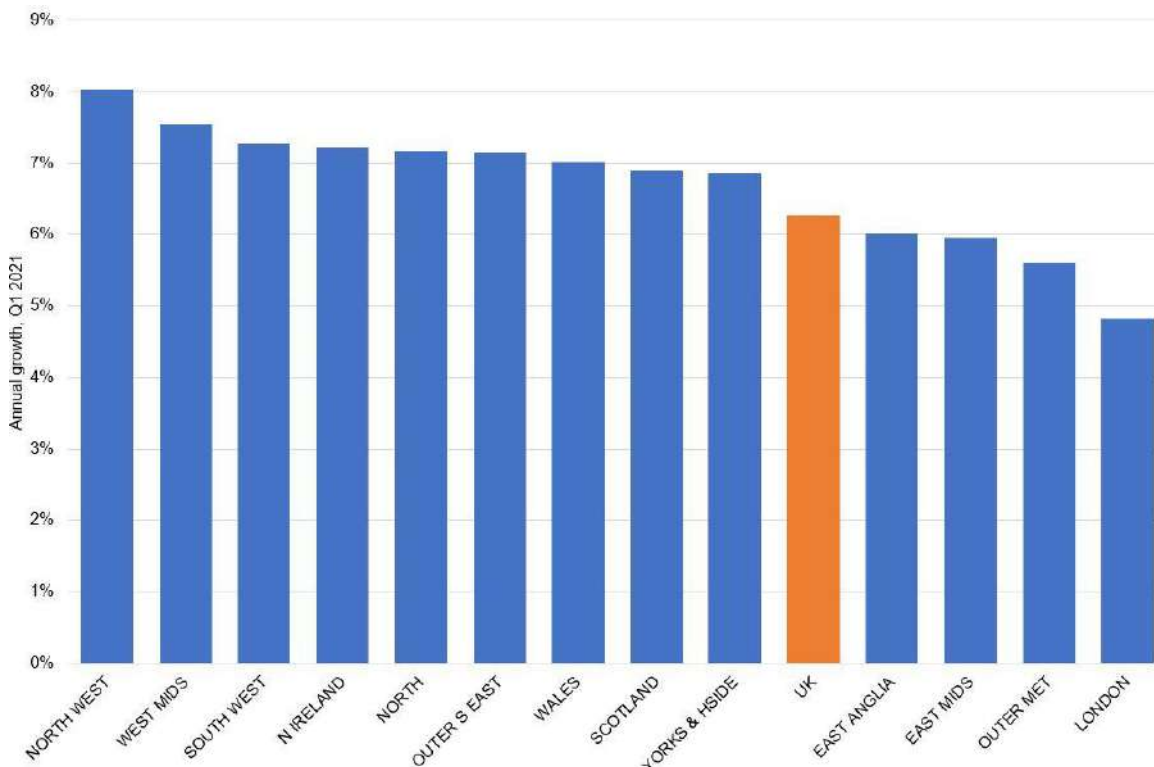
Source: Nationwide (Seasonally adjusted)

Looking on a regional basis, the significant disparity in house prices across the UK has been a recurring theme in recent years. In this respect, the regions in the North of England (West Midlands, East Midlands, North West, Yorkshire & Humberside and North) have been the strongest performing, and have seen higher levels of annual house price growth than those in the South of the country.

Nevertheless, in Q3 2020 house price growth in southern England (London, Outer Metropolitan, Outer South East, East Anglia and South West) exceeded that in northern England, for the first time since 2017. As a result of lockdown, the South and South East benefitted from buyers looking to make a lifestyle change and, in many cases, those moving out of London. It is also important to note that house prices in the South of England are generally higher than other parts of the UK and thus home movers tend to have built up more equity.

However, over the start of 2021 there has been more of a mixed picture across the regions, with many seeing a slowdown in annual growth. In Q1 2021, the North West was the top performing region, with annual price growth of 8.2%. This was the strongest price growth seen in the region since 2005. The neighbouring North also saw a pickup in growth compared to 2020, with an annual increase of 7.2%. Affordability is less of an issue in these markets and house price to income ratios are lower meaning there is more capacity for growth. The West Midlands remained broadly stable with prices increasing by 7.5%, but the East Midlands, which was the top performer in Q4 2020 saw annual growth slow to 6.0%. The South West was the only southern region to see an acceleration in annual price growth, which picked up to 7.2% in Q1 this year from 6.6% in Q4 2020. This may be a result of the continued demand from buyers driven by a lifestyle change. London was the weakest performing region with annual price growth of 4.8%, followed by the surrounding outer metropolitan region which saw a 5.6% annual increase. Scotland saw an annual rate of price growth of 7.2% in Q1 2021, which was an uptick compared to the annual growth seen over 2020. The markets in Scotland did remain closed for longer than the market in England and ongoing lockdown restrictions were tighter over 2020.

**Figure 7 – Regional Annual House Price Growth – Q1 2021**



Source: Nationwide Index (seasonally adjusted)

## 2. Prime Regional Property Market Overview

The momentum seen across the prime regional markets of the UK last year has continued so far in 2021. The pandemic has allowed many to assess their housing needs and priorities, particularly those with the financial security to be able to move.

Activity has also remained strong over the first three months of this year, with agreed sales of properties worth £1 million and above increasing by 93% compared to the average for the same period in 2017-2019, according to data provider TwentyCi. However, stock is now one of the biggest issues facing the prime markets. Over Q1 2021, values for property across the prime regional markets increased by 2.2%, leaving values up by 5.1% over the past 12 months. This is the strongest annual growth since September 2014 before the stamp duty overhaul. The prolonged experience of lockdown is likely to have reaffirmed the lifestyle changes we have seen over the past year.

**Table 3 – Prime Regional House Price Growth by region, Q1 2021**

Q1 2021	All prime London	All UK prime regional	London Suburbs	London's inner commute	London's outer commute	Wider South	Midlands/ North	Scotland
<b>Quarterly growth</b>	0.6%	2.2%	3.4%	2.3%	2.1%	2.0%	2.0%	1.5%
<b>Annual growth</b>	-0.3%	5.1%	5.4%	4.3%	5.3%	5.3%	4.7%	5.6%
<b>5 year growth</b>	-9.0%	6.6%	1.0%	3.3%	5.2%	8.3%	9.6%	13.4%

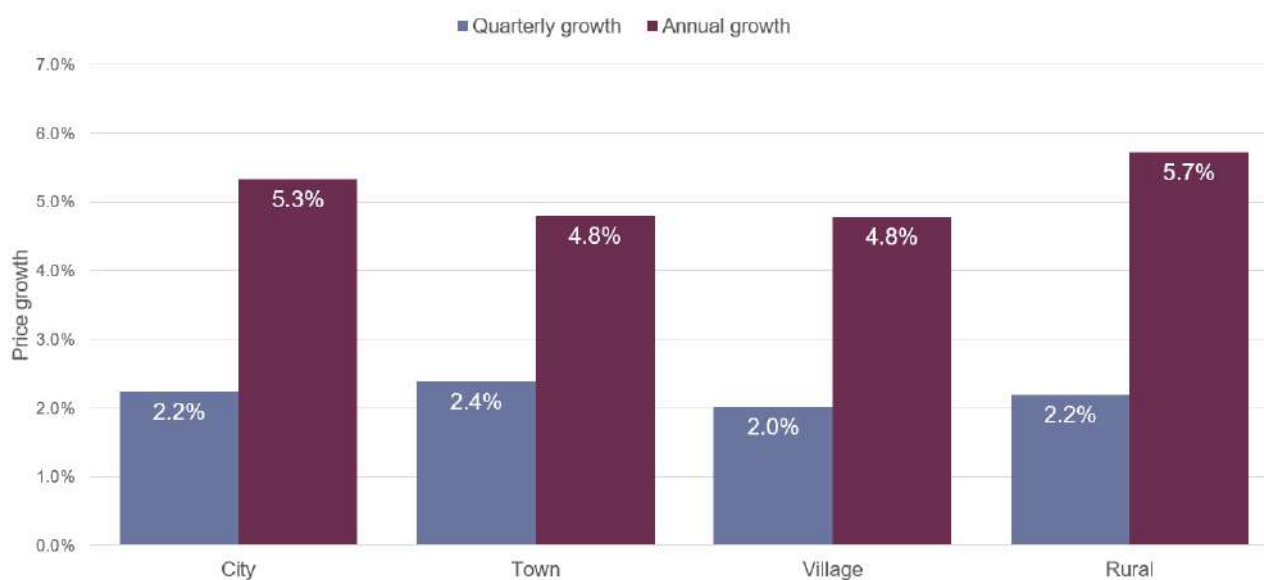
Source: Savills Research

### 2.1. Towns and cities

While the country house revival shows no sign of slowing, there has been renewed demand from buyers planning for their 'new normal' which has supported values in prime regional towns and cities. Here, prime prices have increased by an average of 2.3% over the first quarter of 2021, higher than the 2.1% growth seen for villages and rural locations.

In some cases, the prolonged experience of lockdown has increased people's desire for more vibrant locations with more on offer, now that social distancing restrictions have begun to ease. Top-performing cities include Winchester, Oxford and Bath, where prime values increased by 4.0%, 3.7% and 3.2% respectively during the first quarter of 2021.

Figure 8 – Prime Regional House Price Growth by location, Q1 2021



Source: Savills Research

## 2.2. Coastal hotspots

Over the first three months of 2021 there has also been continued demand for lifestyle relocations and second home purchases. This has seen coastal areas outperform, and prime prices have increased by an average of 6.8% over the past 12 months. In particular, Devon and Suffolk have been the top performers over the past year as both are reasonably accessible from London while meeting the shifting preferences we have seen from buyers for more space and access to the countryside.

## 2.3. Changing buyer preferences

Changing buyer needs as a result of the first lockdown in spring 2020 have affected the interest for different property types and locations, with a renewed appetite for space, both inside and out. These behavioural changes are encouraging many buyers to trade up the housing ladder and others to reassess their work-life balance.

In our most recent survey in March 2021, respondents were asked to name their priorities when looking for their new home. 55% of all respondents said proximity to a park or open space was in their top two. This was up from 42% in April 2020. Proximity to family was also named in the top two priorities by 48% of respondents, up from 39% a year ago. This factor is likely to continue to underpin the desire to relocate from those who want to be closer to loved ones.

These passion and lifestyle drivers are now much stronger than the more rational home mover choices. Being close to a station was a top two priority for just 28%, down from 39% in April 2020, while living close to a place of work was named by only



15%, down from 27% a year ago. The survey's findings suggest that the pandemic, and in particular the constraints of lockdown, will leave a lasting impression on the housing market and continue to shape what buyers want from their homes for the foreseeable future.

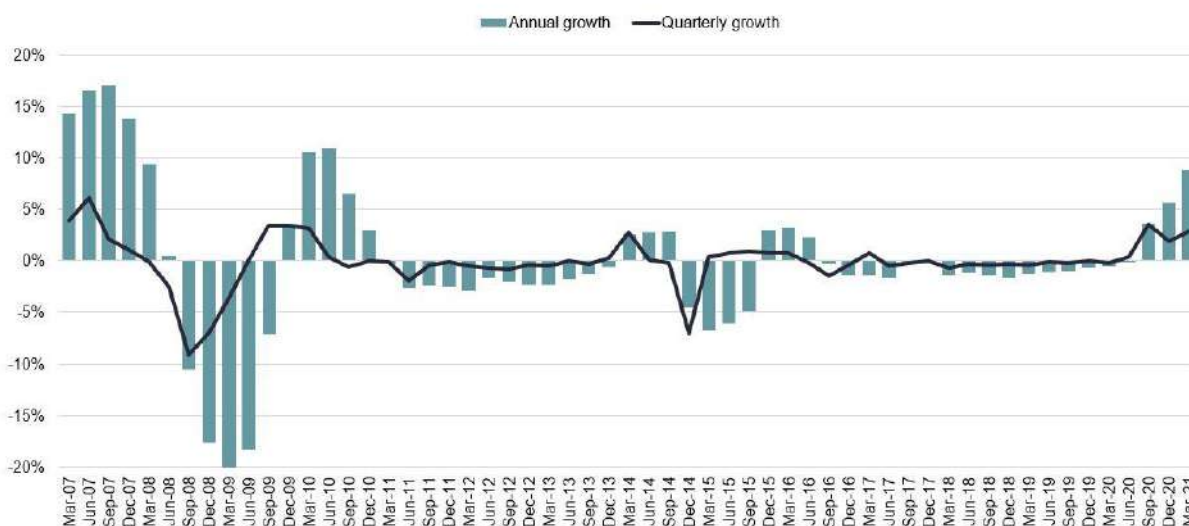
The March 2021 survey also highlighted a reinforced commitment to move by respondents over the next three, six and 24 months given the ongoing rollout of vaccines and easing of restrictions. This suggests that demand will remain strong throughout this year and into next.



## 3. Ultra-Prime Country House Market (£2m+)

During the first quarter of 2021, the ultra-prime country house market saw prices increase by 2.9%, leaving values up 8.8% over the past 12 months, the highest figure for over a decade. This strong performance was led by the South West, Cotswolds and Scotland.

Figure 9 –Ultra Prime Country Houses Price Growth (£2m+), Q1 2021



Source: Savills Research

Despite the recent growth, values in this rarefied submarket remain on average -14.7% below their peak of 2007, after many years of underperforming the wider prime regional markets. Values in the Cotswolds and Home Counties have held up better over this period as historically, more wealth has been generated in the capital which has resulted in a ripple effect into nearby markets. In comparison, prices in Scotland and the North are still -35.4% and -28.7% below their 2007 peak, respectively.

As a result, this part of the market looks good value in comparison to other prime regional markets, which may act as an additional driver for those looking for more space. We anticipate this trend will continue in the short term, at least, as demand continues to outstrip supply of the best in class properties.

Table 4 – £2m+ Country House Index, Q1 2021

Q1 2021	South	South West	Home Counties	South East	Cotswolds	East	North	Scotland	All
<b>Quarterly growth</b>	1.3%	2.2%	4.4%	0.7%	5.1%	1.1%	2.2%	2.9%	<b>2.9%</b>
<b>Annual growth</b>	10.2%	13.4%	5.6%	6.9%	11.5%	3.7%	8.8%	14.4%	<b>8.8%</b>
<b>5 year growth</b>	8.0%	12.1%	-13.1%	4.0%	19.0%	8.0%	2.6%	24.4%	<b>4.0%</b>
<b>Growth since 2007 peak</b>	-10.8%	-18.3%	-6.8%	-8.4%	3.8%	-8.4%	-28.7%	-35.4%	<b>-14.7%</b>

Source: Savills Research

### 3.1. Prime Estates

The private estates of the Home Counties, demonstrated by the neighbourhoods of St George's Hill and Wentworth in Surrey, have similar characteristics to prime central London. The stock is rarefied and the buyer profiles have strong likenesses.

In the first quarter of 2021, house prices in the private estate of Wentworth and St George's Hill saw strong price growth of 3.3% and 9.9%. This leaves values 9.6% above where they were a year ago in St George's Hill and up 3.8% for Wentworth.

**Table 5 – Private Estates and the £2m+ Home Counties Market, Q1 2021**

Q1 2021	All Home Counties	Wentworth Estate	St George's Hill	Both private estates	PCL
<b>Quarterly growth</b>	3.4%	3.3%	9.9%	6.7%	0.4%
<b>Annual growth</b>	5.9%	3.8%	9.6%	6.8%	-0.9%
<b>5 year growth</b>	-9.3%	-15.2%	-24.9%	-20.7%	-14.8%
<b>Growth since 2007 peak</b>	-7.2%	-6.0%	-8.7%	-7.5%	11.5%

Source: Savills Research

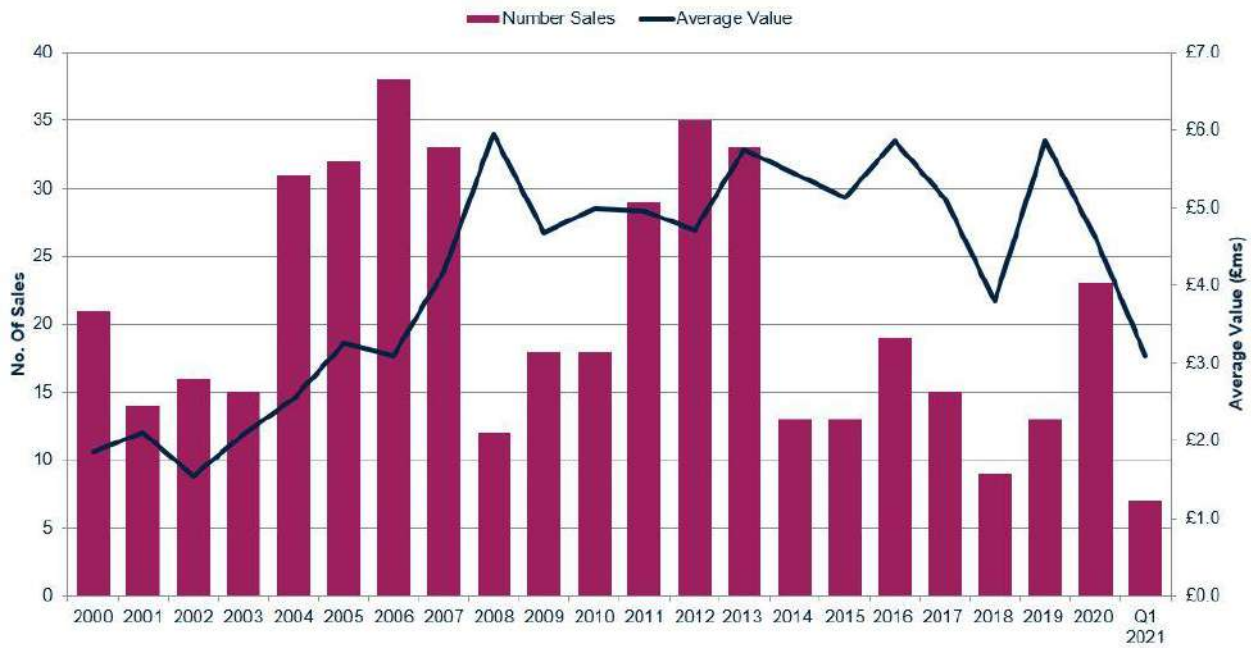
Like London, the private estates of the Home Counties have been more exposed to a less hospitable tax and banking environment in recent years. This means prices have seen much bigger adjustments over the past five years than elsewhere in the prime country markets.

As a consequence, prices have fallen by -28.7% since the stamp duty changes of December 2014, meaning they have fallen back below their 2007 peak value. This period of adjustment resulted in relatively low transaction levels, which was especially prevalent in St George's Hill. During 2019 there were a total of 13 sales and a combined value of £76 million which exceeded the total for 2018. The average value of sales in 2019 also reached £5.8 million.

However, over 2020 there were 23 deals, the highest number of transactions in a year since 2013. The combined value of properties sold on the estate in 2020 was £105 million, the highest since 2016. The average value of properties was £4.6 million, slightly below that seen in 2019 but above the level seen in 2018. The increase in the number of sales over 2020 was supported by domestic buyers looking to take advantage of the relative value on offer on the estate given the price falls in recent years.

Over the first three months of 2021 there were 7 transactions on the estate. This is the highest number of transactions recorded in the first quarter of any year since 2013, prior to the stamp duty changes. The combined value of properties sold of the first quarter of 2021 was £22 million with an average value of £3.1 million. Over half of these transactions were plots of land rather than houses which explains the lower average value recorded so far for 2021. However, the Q1 figures suggests the high levels of demand seen over 2020 have continued into 2021, resulting in a strong start to the year.

Figure 10 – Performance of Property in St. George’s Hill



Source: Savills Research

## 4. Prime Regional Buyer Profile

Across the prime regional markets of the UK, 9% of buyers between 2019 and Q1 2021 were international. This proportion is significantly higher in London where international buyers accounted for 34% of the market over the same period.

The proportion of international purchasers increases at higher value levels. From 2019 to Q1 2021, international buyers made up 8% of the market below £3 million, namely those from Western Europe. This compares to 24% in the £5 million-plus market, predominantly those from Eastern Europe, Western Europe and North America.

With the current travel restrictions still in place as a result of Covid-19 the number of international buyers both in London and the prime regional markets has been affected, particularly in higher value markets typically more reliant on international buyers. However, as the data is collected at the point of exchange we may continue to see the true extent of lockdown and the international travel ban for some time to come. The speed at which international buyers return to the market will depend on when travel restrictions are lifted.

**Figure 11 – Proportion of Buyers from London (2016-Q1 2021)**

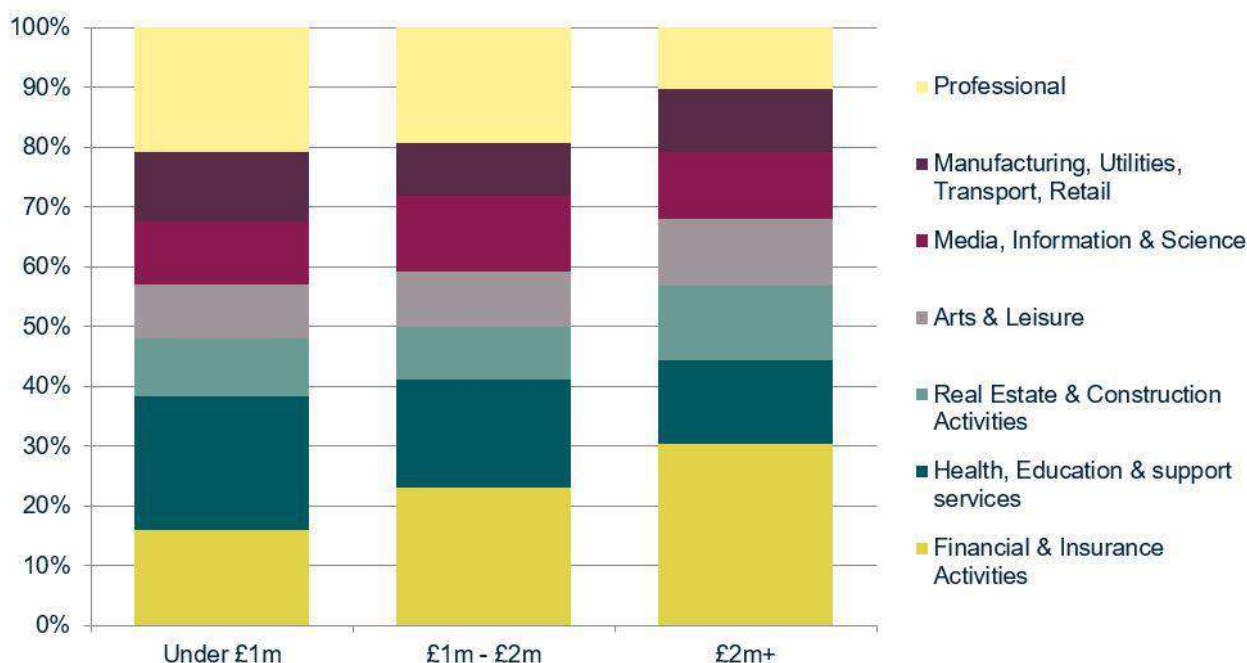


Source: Savills Research

Of those moving within the UK between 2016 and 2019 on average 19% of buyers of prime regional property were from London. However, over 2020 and Q1 2021, 24% of buyers were from London. This increase in London based buyers outside of the capital highlights the changing behaviour seen as a result of the pandemic. Lifestyle drivers have seen an increased desire for London based buyers to move further afield into the commuter zone and beyond.

When focusing in on the regional markets, the prime suburbs generally have a higher proportion of their buyers coming from London, given proximity to the capital. Over 2020 and Q1 2021 there was a particular uptick in London buyers across the inner and outer commuter zone and wider south regions. For the inner commuter area, London based buyers increased from 25% in 2019 to 32% in 2020 and Q1 2021 and for the outer commute, those figures were 19% and 27% respectively. This highlights the impact lifestyle drivers have had on the market with a desire to move further into the commuter zone. The wider south saw the largest increase in London based buyers from 13% in 2019 to 23% over 2020 and Q1 2021, given the increase in demand for more rural and coastal hotspots of the UK.

**Figure 12 –Prime Markets Buyer Occupation (2019/20/Q1 2021)**



Source: Savills Research

When looking at occupation, there is large variation at different price points, as shown by Figure 12. The prime regional buyers in the professional sector and the health, education and support services sector, are more dominant in the under £1 million price bracket, at 21% of the market each. In comparison, buyers in the financial and insurance services sector are more dominant in the £2 million-plus market, at 30%.

## 5. Taxation

The taxation of high value property, and in particular high value property held by non-natural persons, remains a key political issue and is a risk for high value property assets.

The prime property market has remained fairly robust in an environment where changes to taxation of high value property has been prominent. The changes which have been introduced since 2009 are listed below:

- 5% SDLT on £1m+ properties (up from 4%)
- 15% SDLT on £2m+ properties bought by non-natural persons
- ATED on £2m+ properties held by non-natural persons
- CGT on sales by non-natural persons
- 7% SDLT on £2m+ properties (up from 5%)
- SDLT reform at all price bands (December 2014)
- CGT on overseas owned properties (April 2015)
- ATED regime extended to £1m+ properties (April 2015)
- ATED regime extended to £500k+ properties (April 2016)
- Remittance tax
- SDLT 3% surcharge on “additional homes” (April 2016)
- Limit on mortgage interest tax relief (phased in from April 2017)
- Inheritance tax on residential property held in an offshore structure (November 2017)
- Inheritance tax for long term non-domiciled UK residents (through the removal of non-domicile status) (November 2017)
- 2% surcharge for non-domiciled buyers introduced on 1<sup>st</sup> April 2021

For the mainstream market:

- In order to support those entering the housing market the Government introduced a stamp duty tax relief for first time buyers on purchases below £500k (November 2017).
- To aid the recovery from the national lockdown due to Covid-19, the government suspended stamp duty for purchases under £500,000. This started on July 8<sup>th</sup> 2020, and was extended in the March 2021 Budget until 30<sup>th</sup> June 2021. For properties above this threshold, the value under the £500,000 will not be taxed. After this point the suspension will continue for purchases under £250,000 until 30<sup>th</sup> September 2021 and for properties above the threshold, the value under £250,000 will not be taxed. Buy-to-let investors and second home purchases are also included in this suspension.

### 5.1. Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) is a tax on land transactions and has to be paid on all properties over a certain price. The charge is applied to the purchase of houses, flats and other land and buildings. The Chancellor announced SDLT reform during the Autumn Statement in December 2014. A SDLT surcharge of 3% was announced which applied to the purchases of “additional homes” including second homes and buy-to-let investments. This additional rate came into effect on 1st April 2016 for properties worth more than £40,000.

More recently, a stamp duty ‘holiday’ has been introduced across England. This change exempts all sales under £500,000 from the tax, and the first £500,000 of any property over that value. The aim of this policy is to help the housing market start moving and recover from the national lockdown. This ‘holiday’ also applies to second home and buy-to-let purchases as well, although they will still be subject to the Higher Rate for Additional Dwellings (HRAD), which is 3% of the property value. This suspension of SDLT in its current form was scheduled from 8<sup>th</sup> July 2020 to 31<sup>st</sup> March 2021 but has now been extended to 30<sup>th</sup> June 2021. There will then be a tapering of the holiday from the 1<sup>st</sup> July 2021 to 30<sup>th</sup> September 2021 where no stamp duty will be charged on a residential property up to £250,000.

Other parts of the UK have also announced ‘holidays’ on property sales taxes. On the 9<sup>th</sup> July Scotland announced alternations to the Land and Building Transaction Tax (LBTT), increasing the threshold at which the tax begins to be paid from £145,000 to £250,000. Buyers will save up to a maximum of £2,100. The alternation in LBTT applied from 15<sup>th</sup> July 2020 to 31<sup>st</sup> March 2021. The LBTT zero tax threshold has now returned to £145,000. Wales also introduced a temporary cut in Land Transaction Tax (LTT), waiving payment of tax on properties up to £250,000. LTT will still apply to properties above the threshold and to all second or buy-to-let house purchases. The LTT ‘holiday’ applies from 27<sup>th</sup> July to the 30<sup>th</sup> June 2021.

The new stamp duty tax bands are as follows:

**Table 6 – Stamp Duty Land Tax bands (as of December 2014) excluding stamp duty holiday**

Value of Band	Tax Rate
Up to £125,000	0%
£125,001 - £250,000	2% on excess over £125,000
£250,001 - £925,000	5% on excess over £250,000
£925,001 - £1,500,000	10% on excess over £925,000
Over £1,500,000	12% on excess over £1,500,000

Source: HMRC

**Table 7 – Stamp Duty Land Tax bands with stamp duty holiday (8<sup>th</sup> July 2020 to 30<sup>th</sup> June 2021)**

Value of Band	Tax Rate
Up to £500,000	0%
£500,001 - £925,000	5% on excess over £500,000
£925,001 - £1,500,000	10% on excess over £925,000
Over £1,500,000	12% on excess over £1,500,000

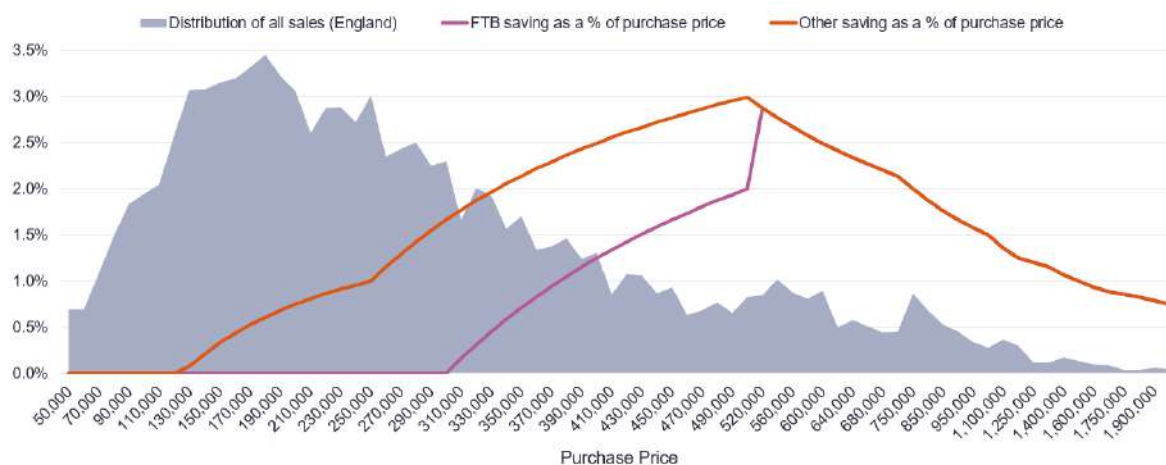
Source: HMRC

**Table 8 – Stamp Duty Land Tax bands with stamp duty holiday (1<sup>st</sup> July 2021 to 30<sup>th</sup> September 2021)**

Value of Band	Tax Rate
Up to £125,000	0%
£125,001 - £250,000	0%
£250,001 - £925,000	5% on excess over £250,000
£925,001 - £1,500,000	10% on excess over £925,000
Over £1,500,000	12% on excess over £1,500,000

Source: HMRC

**Figure 13 – Potential Stamp Duty Savings**



Source: Savills Research using Land Registry

Savills analysis of Land Registry data suggests just under 90% of home sales in England are below £500,000, and would not pay any basic stamp duty. The most significant saving is for home-movers, as first-time buyers already have tax relief on properties worth less than £500,000.

**Table 9 – SDLT on the purchases of “additional homes” excluding stamp duty holiday**

Purchase price	Sole Property		Additional Property		Difference, £
	Effective Rate	SDLT £	Effective Rate	SDLT £	
<b>Up to £125,000</b>	0.0%	-	3.0%	3,750	3,750
<b>£250,000</b>	1.0%	2,500	4.0%	10,000	7,500
<b>£500,000</b>	3.0%	15,000	6.0%	30,000	15,000
<b>£1,000,000</b>	4.4%	43,750	7.4%	73,750	30,000
<b>£2,000,000</b>	7.7%	153,750	10.7%	213,750	60,000
<b>£5,000,000</b>	10.3%	513,750	13.3%	663,750	150,000

Source: Savills Research

**Table 10 – SDLT on the purchases of “additional homes” including stamp duty holiday (8<sup>th</sup> July 2020 to 30<sup>th</sup> June 2021)**

Purchase price	Sole Property		Additional Property		Difference, £
	Effective Rate	SDLT £	Effective Rate	SDLT £	
<b>£500,000</b>	0.0%	-	3.0%	15,000	15,000
<b>£1,000,000</b>	2.9%	28,750	5.9%	58,750	30,000
<b>£2,000,000</b>	6.9%	138,750	9.9%	198,750	60,000
<b>£5,000,000</b>	10.0%	498,750	13.0%	648,750	150,000

Source: Savills Research

**Table 11 – SDLT on the purchases of “additional homes” including stamp duty holiday (1<sup>st</sup> July 2021 to 30<sup>th</sup> September 2021)**

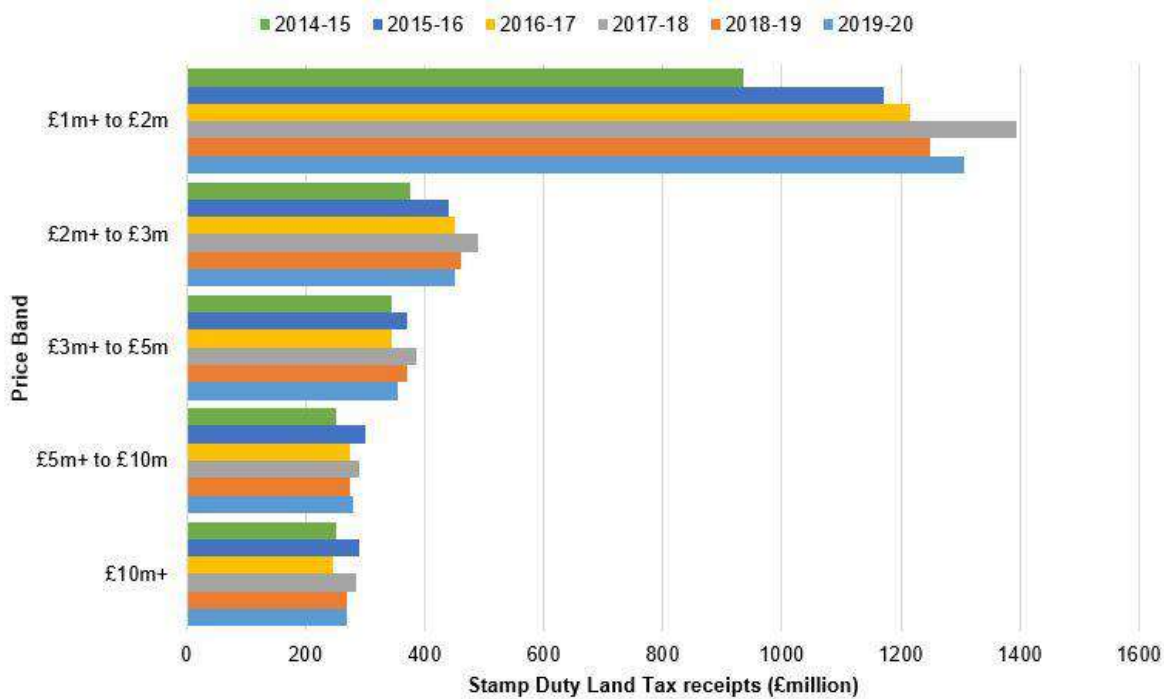
Purchase price	Sole Property		Additional Property		Difference, £
	Effective Rate	SDLT £	Effective Rate	SDLT £	
<b>£250,000</b>	0.0%	-	3.0%	7,500	7,500
<b>£500,000</b>	2.5%	12,500	5.5%	27,500	15,000
<b>£1,000,000</b>	4.1%	41,250	7.1%	71,250	30,000
<b>£2,000,000</b>	7.6%	151,250	10.6%	211,250	60,000
<b>£5,000,000</b>	10.2%	511,250	13.2%	661,750	150,000

Source: Savills Research

The latest quarterly stamp duty receipts statistics show that receipts were £2,757 million in Q4 2020 which is a 16% fall on the £3,299 million receipts for Q4 2019. In the 2019/20 fiscal year HMRC recorded that stamp duty receipts totalled £8.420 billion, a marginal 1% increase on 2018/19 and a 31% increase since 2013/14 (the last fiscal year before the stamp duty overhaul).

The amount of stamp duty raised from £1 million-plus properties increased by £35 million to £2,660 million. The additional 3% surcharge raised £1,630 million, a figure that has decreased by £45 million over the past year.

Figure 14 – Stamp Duty Land Tax Receipts in the UK



Source: Savills Research using HMRC

In the Autumn Budget, published on 22nd November 2017, Philip Hammond announced a stamp duty land tax relief for first time buyers. Stamp duty has been entirely abolished on purchases under £300,000 and there is a stamp duty reduction of £5,000 for purchases between £300,000 and £500,000. The Treasury expects this reform to cost £560 million in 2018/19, equivalent to just 5.9% of residential SDLT receipts in 2018/19, forecast to be £9.5 billion by the Office for Budget Responsibility. As such, this reform is unlikely to have a major impact on SDLT revenue in the future.

## 5.2. Annual Tax on Enveloped Dwellings

Annual Tax on Enveloped Dwellings (ATED) is a tax charged on a non-natural person who holds an interest in a UK residential property worth more than £500,000.

The pre-existing exemptions for Stamp Duty and the ATED will still apply, meaning that commercially let housing and development property will be excluded.

The amount of ATED due is calculated using a banding system based on the value of the property, with the charge increasing each year in line with the consumer price index (CPI). The charges for the financial year April 2020 to March 2021 are outlined in the table below.

**Table 12 – Annual Tax on Enveloped Dwellings Charges**

Value of Property	Annual Tax change
<u>1<sup>st</sup> April 2021</u>	<u>2021/22</u>
£500,001 - £1,000,000	£3,700
£1,000,001 - £2,000,000	£7,500
£2,000,001 - £5,000,000	£25,300
£5,000,001 - £10,000,000	£59,100
£10,000,001 - £20,000,000	£118,600
£20,000,001 +	£237,400

Source: HMRC

### 5.3. Capital Gains Tax

Capital Gains Tax will apply to the gains accrued on any property exiting from a corporate structure liable for ATED, now extending to any property worth over £500,000.

In addition, in the 2013 Autumn Statement, there was the introduction of a Capital Gains Tax to capture funds from non-resident international purchasers buying second homes and investment properties, applying to gains accrued after April 2015.

In the March 2016 budget, residential investments were specifically excluded from the cut in the rate of Capital Gains Tax from 28% to 20% - this will make it more difficult for existing buy-to-let investors to reorganise their portfolios towards better performing property. It will also act as a longer term disincentive to invest in residential property compared to other asset classes which may put further pressure on the supply of private rented homes against the backdrop of rising demand.

### 5.4. Remittance Tax

Since August 2014, non-domiciled persons who own property in the UK must pay tax of up to 45% when they use overseas assets as collateral to finance the purchase. Foreign assets are now taxed as remittances from abroad where, previously, foreign assets that were used as security for borrowings did not incur any taxation as they were not classed as transfers of wealth into the UK. This tax is only payable upon completion, therefore will impact the second hand markets. It is difficult for us to assess the impact this will have on the market as we do not know how many buyers have structured their finance in this way.

### 5.5. Inheritance Tax

The Government's July 2015 Emergency Budget included two measures affecting non-domiciled residents which took effect from 6<sup>th</sup> April 2017. The first is an end to the indefinite nature of non-dom status. Previously, a qualifying non-domiciled resident could

elect for the remittance basis of taxation, under which they did not pay tax on income and assets kept offshore. After a certain length of time as resident they paid an annual remittance basis charge (from £30,000 to £90,000) but they retained the offshore tax exemption. The only exception to this was inheritance tax (IHT), to which they become liable after 17 years of UK residence.

However, now, non-doms who have been UK-resident for more than 15 of the past 20 years will no longer be able to elect for the remittance basis. They will be deemed domiciled and will become liable to UK tax – including inheritance tax – on all overseas assets.

The second measure is likely to have even more far-reaching effects. Previously, non-doms who owned UK residential property via an offshore company or other structure are not liable to UK inheritance tax on the property. When effective, they will be liable to pay IHT – as well as the annual tax on enveloped dwellings (ATED) introduced in 2013. It is no longer possible to shield UK residential property from IHT by holding it through a non-UK company within an excluded property trust or a non-UK company. The new rules will apply to all types of offshore structures, including trust/debt arrangements – and even if the property is let. Legislation will be introduced to enable shares in the company holding UK residential property to be 'looked through' so that IHT will apply as though the property was held without the company.

These changes to IHT were due to be implemented in April 2017, however were put on hold due to the snap General Election on 8th June 2017. After coming under increasing pressure by the Chartered Institute of Taxation to provide more certainty on both implementation and retrospectivity, the HM Treasury retroactively implemented the IHT law on the 22<sup>nd</sup> November 2017.

### **5.6. Buy-to-Let Mortgage Relief**

In the summer 2015 Budget, a limit on mortgage interest tax relief for Buy-to-Let mortgages was announced, in order to create a more level playing field between those buying a home to let and those buying a home to live in. The change, which was phased in between April 2017 and April 2020, means that landlords will only be able to claim tax relief on their mortgage interest payments at the basic rate of 20%, rather than their marginal rate (higher rate of 40% or 45%).

This means that for a landlord who is a 45% taxpayer, every £100 of mortgage interest they pay costs just £55 after claiming tax relief, but this will rise to £80 when the changes are fully implemented from April 2020.

The extent to which the restriction on tax relief for Buy-to-Let mortgage interest will impact on demand for residential investment stock is a function of:

- The extent to which landlords in the private rented sector have a mortgage;
- The level and distribution of debt within that element of the private rented sector; and
- The ability of landlords who are reliant on debt to deliver a positive new rental income (after all costs including mortgage interest and income tax).

Our analysis of DCLG and CML figures indicates that only around 30% of dwellings in the private rented sector are backed by debt. This figure has stabilised since the credit crunch as equity rich investors and accidental landlords have played a much greater role. Buy-to-Let lending has supported just 28% of the growth in the private rented sector over this period.



However, inevitably the changes are likely to cause some highly geared investors (both domestic and overseas) to rationalise their portfolios, particularly combined with increasing interest rates over the next five years. Equally, the changes are likely to restrict the ability of others to expand their investment as they find it more difficult to make the sums add up and lenders increase the interest cover which they require to reflect the new tax environment.

Overall, levels of gearing in the private rented sector are low, limiting the risk of a large number of investment properties being sold or demand significantly falling. Some investors may look to lower-value-higher-yielding markets to achieve sufficient cash returns, though welfare payment changes will reduce the appetite for property in areas where a high proportion of private sector tenants rely on housing benefit.

## 6. Capital Value Outlook

### 6.1. Mainstream Markets

Despite the economic backdrop, the UK housing market has seen a wave of activity. Behavioural changes have encouraged many to trade up the housing ladder and others to reassess their work-life balance, adding to the pent-up demand coming out of the first UK wide lockdown. The introduction of a stamp duty holiday has further added to high activity levels. As such, 2020 was a remarkable year for the UK housing market. Despite the deepest recession in modern history, house prices grew by 7.3% in the year according to the Nationwide house price index.

In the short-term, 2021 will be a complex year, with competing forces having different impacts over the course of the year. We anticipate the market will remain relatively strong through the first half of the year with the extension of the stamp duty holiday likely to prolong a period of robust market activity in England and Northern Ireland. The prospect of a lull in the market following the end to the stamp duty holiday is more prominent if unemployment rate peaks. But a tapering of the stamp duty relief to the end of September and the introduction of a mortgage guarantee scheme across the UK as a whole will provide support to transactions in this period, although we do expect the market to cool.





























































The continued roll-out of Covid-19 vaccines, along with the potential for the economy to rebound and the prospect that unemployment levels will start to fall in the second half of the year are all likely to further boost confidence in the market. As a result, we expect a return in activity and modest price growth later in the year, in a period of continued low interest rates. As such, we are forecasting house price growth across the country as a whole of 4% in 2021, with a relatively strong start and end to the year sandwiching a more subdued middle. We expect slightly stronger price growth in 2022 during a period of sustained economic recovery.

As we look further forward, we gradually expect to see the fundamentals of mortgage affordability to determine the levels and regional distribution of price growth. The price movements of 2020 will have made housing less affordable to the average household and income growth expectations over the next five year period have softened. However, the outlook for interest rates remains low with Oxford Economics forecasting the Bank Base Rate to rise to 0.5% by 2025. From 2023 onwards we anticipate levels of house price growth to ease back year on year as rates of economic growth reduces and the prospects of interest rates rises becomes closer.

The unique circumstances of the pandemic have disrupted the normal geographical cycle of house price growth. With the exception of Scotland, where the market remained closed for longer than the rest of the country, price growth over 2020 was far more uniform than in recent years. Though levels of activity varied between major cities, suburban and more rural areas increased right across the country due to a perceived change in buyer preferences as a result of the pandemic.

Looking forward, as lifestyle drivers give way to economic fundamentals, we expect to return to the normal pattern of regional price growth we would expect at the point in the housing market cycle. This is likely to be supported by the Government levelling up agenda, with the Northern regions and Midlands of England seeing the strongest house price growth over the five years to 2025.

**Table 13 – Mainstream Markets: 5 Year Forecast Values, as at March 2021**

	2021	2022	2023	2024	2025	5 years to 2025
London	 2.5%	 4.5%	 2.0%	 2.0%	 1.0%	12.6%
South East	 5.0%	 4.5%	 2.5%	 2.5%	 1.5%	17.0%
East of England	 5.0%	 4.5%	 2.5%	 2.5%	 1.5%	17.0%
South West	 5.0%	 4.0%	 3.5%	 3.0%	 2.0%	18.7%
East Midlands	 4.5%	 5.5%	 5.0%	 4.0%	 3.0%	24.0%
West Midlands	 4.5%	 5.5%	 5.0%	 4.0%	 3.0%	24.0%
North East	 3.5%	 4.5%	 4.0%	 3.5%	 3.5%	20.5%
North West	 4.5%	 6.0%	 5.5%	 5.5%	 4.5%	28.8%
Yorkshire and The Humber	 4.5%	 6.0%	 5.5%	 5.0%	 4.5%	28.2%
Wales	 3.5%	 5.5%	 5.0%	 4.0%	 3.0%	22.8%
Scotland	 3.0%	 5.0%	 4.5%	 4.5%	 4.0%	22.8%
UK	 4.0%	 5.0%	 4.0%	 3.5%	 3.0%	21.1%

Source: Savills Research

NB: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.

### 6.2. Prime Markets

Over 2020 the housing market showed it could perform in isolation to the wider UK economy. This was particularly true for the UK's prime markets which experienced a surge in sales and buyer demand. Prolonged lockdown restrictions continued to give greater urgency to buyers' search for a lifestyle change and a better balance between their work and home lives, resulting in a particularly active prime market over the period. As such, we saw growth of 3.6% on average over 2020 for the markets beyond London.



















































The first quarter of 2021 shows no sign of this increased activity dissipating and we expect these trends will continue to be dominant drivers through much of this year, particularly now the stamp duty holiday in England and Northern Ireland has been extended. That will result in continued price growth across the prime markets beyond London, especially in the country house and coastal markets where there is currently the greatest imbalance between supply and demand. Our recent buyer and seller survey also revealed buyers commitment to move as a result of the vaccination programme and easing of restrictions looks to remain strong for the remainder of 2021 and into next year. Similarly, longer-term adaptations to home working will benefit London's commuter zone and beyond, as the impacts of lockdown will continue to drive a desire to upsize.

Renewed demand for urban areas from those who have realised what they've been missing during the various lockdowns means prices in prime regional towns and cities will also continue to rise. But, the value on offer in prime village and rural markets will also support prices here as those still seeking a quieter life continue to drive demand.

From 2022 onwards there will be a few other factors at play. Some of the changed requirements sparked by the pandemic will have either softened or already been satisfied by a purchase during the past year. But, on the other hand, low interest rates that are now anticipated to stay lower for longer will continue to provide additional incentive across the more domestic prime markets. This will continue to underpin price growth in the wealth corridors of London and beyond.

Looking further ahead, the wider tax environment and any longer-term implications of Brexit are likely to dictate price movements as they could impact the spending power of those looking to buy in the prime markets. The additional spending as a result of prolonged lockdowns means the government will need to recoup some of its losses and that is likely to happen once the economic recovery takes hold towards the ends of 2021 and into 2022.

**Table 14 – Prime Markets: 5 Year Forecast Values, as at March 2021**

	2021	2022	2023	2024	2025	5-year
<b>Prime central London</b>	 3.0%	 7.0%	 4.0%	 2.0%	 4.0%	21.6%
<b>Outer prime London</b>	 2.0%	 5.0%	 3.0%	 2.0%	 2.0%	14.8%
<b>All prime London</b>	 2.5%	 6.0%	 3.5%	 2.0%	 3.0%	18.1%
<b>Suburbs</b>	 5.0%	 3.5%	 3.0%	 2.0%	 3.0%	17.6%
<b>Inner commute</b>	 5.0%	 3.5%	 3.0%	 2.5%	 3.0%	18.2%
<b>Outer commute</b>	 5.0%	 3.5%	 3.0%	 2.5%	 3.5%	18.7%
<b>Wider South</b>	 5.5%	 4.0%	 4.0%	 3.0%	 3.5%	21.6%
<b>Midlands/ North</b>	 4.5%	 4.0%	 4.0%	 3.0%	 4.0%	21.1%
<b>Scotland</b>	 5.5%	 4.0%	 4.0%	 3.5%	 4.0%	22.8%
<b>All prime regional</b>	 5.0%	 4.0%	 3.5%	 3.0%	 3.5%	20.5%

Source: Savills Research

NB: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.



## Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.



## Appendix 4



# UK Residential Investment

## Q1 2021

### Stamp duty holiday supports housing market into 2021

The UK housing market reached a four year peak in Q1 2021 having remained active throughout 2020 amidst the clear economic challenges brought about by Covid-19 and recurring lockdown restrictions. Market sentiment may have fallen to historic lows in April 2020 but the sales market bounced back once restrictions were lifted. Many buyers were buoyed by the stamp duty holiday which, now extended, will run until 30<sup>th</sup> June 2021 in its current form, before tapering to 31<sup>st</sup> September 2021. Annual price growth reached 6.9% in February according to the Nationwide. Looking ahead, Q2 will likely continue the strong growth from the first quarter of Q1 with the extension of the stamp duty holiday; however, rising unemployment is likely to temper the market thereafter.

Despite this optimism in the sales market, high mortgage deposit requirements continue to act as a significant barrier to ownership for many first time buyers (FTB). The average deposit to income ratio for FTBs across the UK is now 108%, compared to 174% in London. The transaction market will likely remain sensitive to the availability and cost of mortgage debt, which directly affects around two thirds of the current buyers. This will be further constrained by banks shifting away from offering high LTV mortgages given their concerns about the wider economy. These are crucial to the FTB market and are yet to return to their pre-lockdown levels. The Monetary Policy Committee (MPC) dropped the base rate to 0.10% in response to the Covid-19 Pandemic, which is expected to slowly climb to 0.50% by 2025.

### The Stamp Duty “Holiday” may well boost interest in the Buy-to-Let sector

The Buy-to-Let (BTL) market had seen fairly low, but stable numbers since the implementation of the 3% surcharge in 2016. The number of new BTL mortgages has since dropped further. The stamp duty holiday is applied to BTL properties as well which means we may see some investors taking the opportunity to enter the market, or expand their portfolio. Indeed, the rate of exodus from the BTL market has slowed throughout 2020.

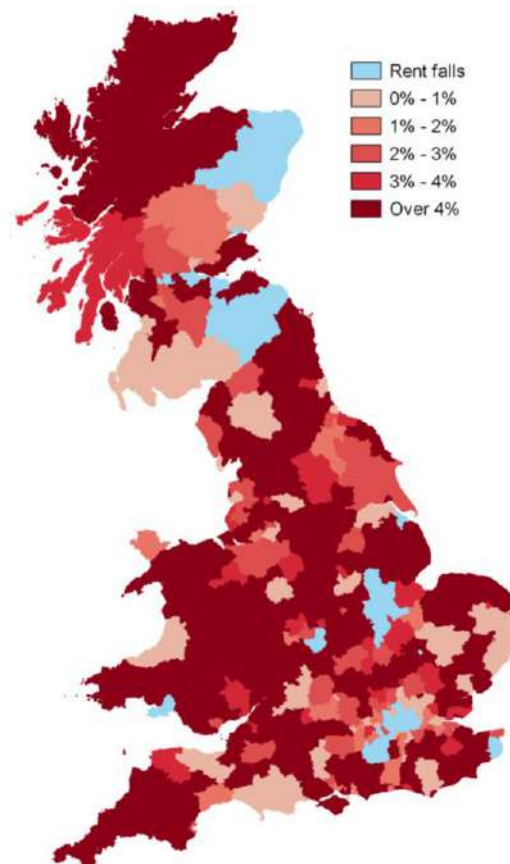
**Build to Rent (or multifamily) supply continues to increase. As of Q1 2021, there are c.180,000 rental homes in the pipeline, with c.58,000 fully operational.**

According to Rightmove, upper quartile 2 bed asking rents rose by 1.8% across England & Wales over the year to Q1 2021. There was strong growth outside of the key regional markets, including East Lothian (38%), Forest of Dean (31%) and South Staffordshire (21%). Upper quartile 2 bed asking rents rose across all of the 10 key regional markets. Newcastle upon Tyne and Liverpool were the strongest performing markets, with rises of 8.2% and 4.9% respectively. Rental falls have been widespread within central London as a result of a mismatch in supply and demand. Many sharers have temporarily returned to family homes while there has been reduced corporate and student demand, particularly from international sources. This in turn has driven down rents.

Regional Markets	2 bed UQ asking rent Yr to Q1 2021 (£pcm)	Annual growth in asking rent	Number of completed BTR units
Bristol	£1,019	2.9%	846
Liverpool	£611	4.9%	2,057
Manchester	£772	2.2%	5,788
Newcastle upon Tyne	£634	8.2%	852
Leeds	£736	3.9%	1,705
Brighton and Hove	£1,289	1.9%	-
Sheffield	£649	6.0%	796
Glasgow	£706	3.6%	36
Birmingham	£731	3.7%	2,088
Salford	£722	4.0%	6,469

Source: Savills, British Property Federation, Molior, Rightmove

2 bed UQ asking rent, annual growth to Q1 2021



Source: Rightmove



# Mainstream Market Overview

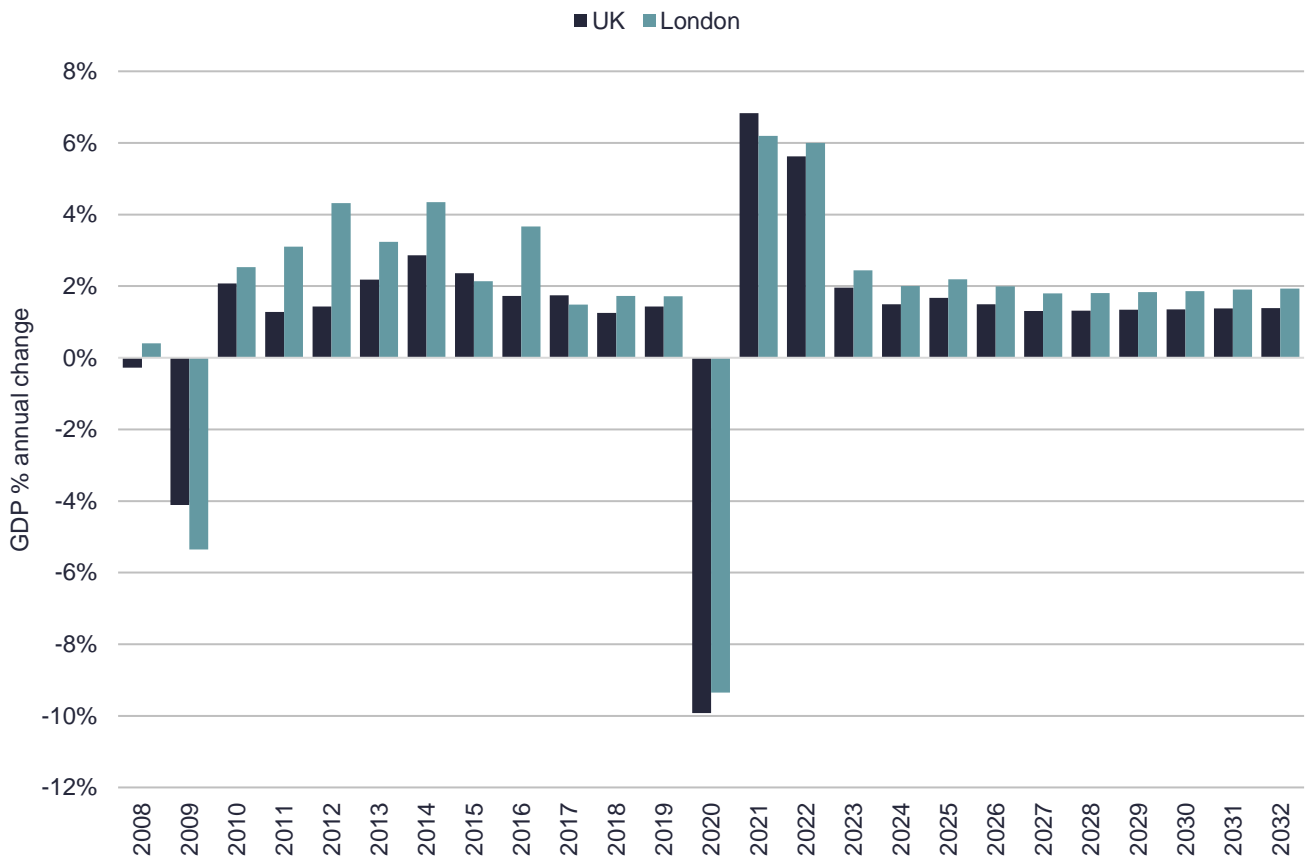
## Economic Backdrop

The last few years have seen subdued GDP growth, largely as a consequence of uncertainty surrounding Brexit. There were early signs of a recovery towards the end of 2019 and the start of 2020, but any positivity was halted by the Covid-19 pandemic. The three national lockdowns witnessed in the UK since March 2020 have kept GDP growth suppressed. However, Oxford Economics expect to see a bounce back in 2021 as the economy re-opens and the vaccine rollout continues. Oxford Economics forecast that GDP will grow by 6.8% over 2021, making up about two thirds of the -9.9% decrease in 2020.

Unemployment continued to rise in Q4 2020 hitting 5.0%, a high for the last 5 years but still relatively low when looking over the longer term. Oxford Economics' latest forecasts<sup>1</sup> expect unemployment peak at 6.5% in Q1 and Q2 2021. They are then forecasting unemployment to slowly fall through the second half of the year.

Brexit, and the end of the current transition agreement at the end of 2020 were significant concerns at the start of the year, only to be largely overshadowed by Covid-19. In the final days of 2020, a trade deal was reached between the UK and the European Union. Under normal conditions would have expected this to coincided with an economic bounce; however, this was delayed by the national lockdown. With restrictions being lifted and the UK is also now in the midst of its largest mass vaccination programme on record an economic recovery is expected in the second half of 2021.

Figure 1 – UK and London GDP Forecasts



Source: Oxford Economics

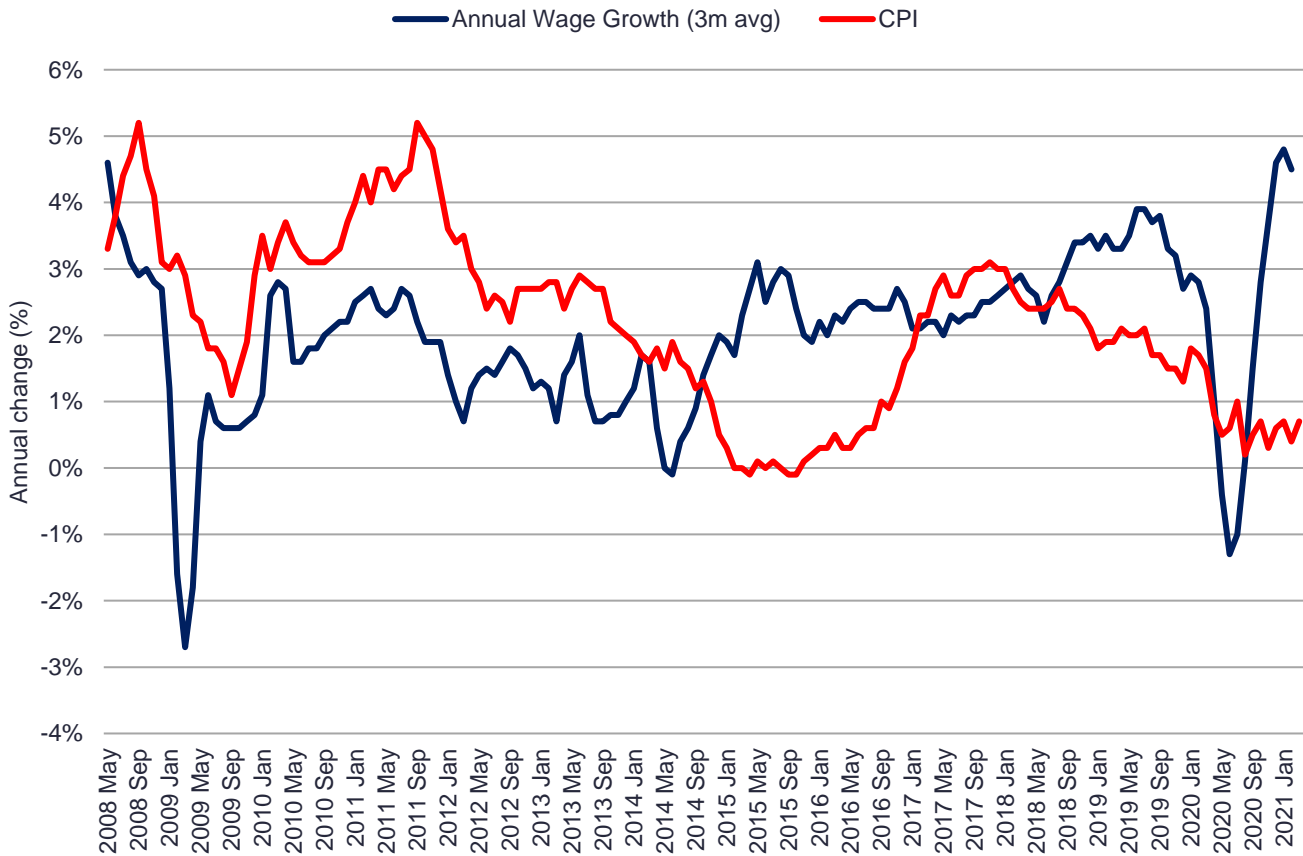
<sup>1</sup> 12<sup>th</sup> January 2021



Annual wage growth had been strong in 2019, averaging 3.5%. But the rate of growth has fluctuated hugely since then, falling to -1.3% in June 2020 and then peaking at 4.8% in Jan 2021, As of February it currently sites at 4.5%. This is likely a result of the furlough scheme, which reduced the pay of millions of workers while they were temporarily stopped from working. Wage growth then returned as the economy opened up and lockdowns eased. The second and third lockdown have not impacted wages in the same way as the economy has not been as heavily restricted and the majority of those put on furlough were furloughed during the first lockdown.

The Consumer Price Index (a measure of inflation) has been falling since 2017, but transition to a much sharper downward trend in March 2020 after the national lockdown came into force. It sat at 0.7% in March, down from 1.5% the same time last year. This is likely to rise during 2021 as Covid-19 related impacts fall out of annual comparisons.

Figure 2 – Annual Wage Growth and CPI Inflation, March 2021



Source: ONS – LMSB SA AWE total pay WE year on year 3 month average, CPI

In the Monetary Policy Committee (MPC) meeting on the 23<sup>rd</sup> March 2021, the committee voted unanimously to maintain the Bank Rate at 0.10%.The committee also voted unanimously to continue the programme of £100 billion of UK government bond purchases. Given the severity of the Covid-19 disruption, there is a risk of longer-term damage to the economy, especially if businesses fail on a large scale or unemployment increases significantly. As a result, OE are forecasting that the Bank Rate remains at 0.10% until 2023, after which we will see interest rates gradually increase to 0.50% by 2025.

Table 1 – Central bank base rate expectations (end of period)

	2021	2022	2023	2024	2025
<b>Bank Rate</b>	0.10%	0.10%	0.10%	0.25%	0.50%

Source: Bank of England, Oxford Economics – 23 March 2021

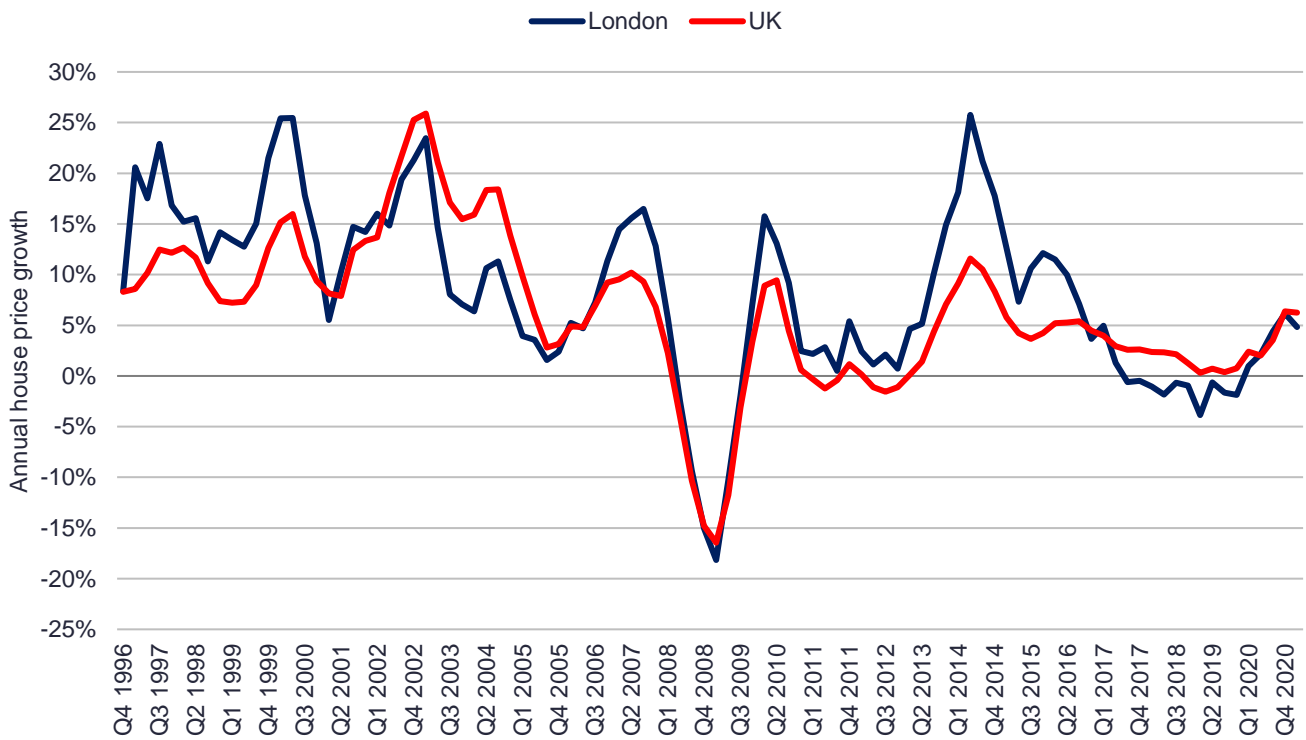
### House Prices

House price growth peaked in Q2 2014 for both London and the UK as a whole. Growth has generally been trending downwards since then. More recently there have been some signs of price growth, particularly in London, which is partially a consequence of the Conservative victory in the General Election in December 2019. Since Q2 2020 London prices have been performing in line with UK prices, for the first time since 2017.

House price growth had been underpinned by a sustained improvement in the economy, a low interest rate environment and pent up demand. Imbalance in values and affordability between London and the rest of the UK remains pronounced, although over the past two years with the UK outperforming London the gap has narrowed. Nevertheless, the average price of a house in London stands at £496,269 compared to national average of £250,341 according to latest Land Registry<sup>2</sup> figures (as at February 2021).

House prices rose on a quarterly basis by 1.2% in Q1 2021 nationally and by 0.2% in London. They are up 6.3% and 4.8% on an annual basis respectively. Given the country was under a lockdown due to the Covid-19 pandemic for much of 2020 this level of growth on annual basis is significant. Annual growth across the UK and London reached their highest points since Q4 2014 and Q3 2016 respectively, supported by the Stamp Duty holiday brought in by the Conservative Government through the end of 2020 and the first half of 2021.

**Figure 3 – Annual house price growth, Q1 2021**



Source: Nationwide (Seasonally adjusted)

<sup>2</sup> Land Registry House Price Index March 2021 - <https://landregistry.data.gov.uk/app/ukhpi>

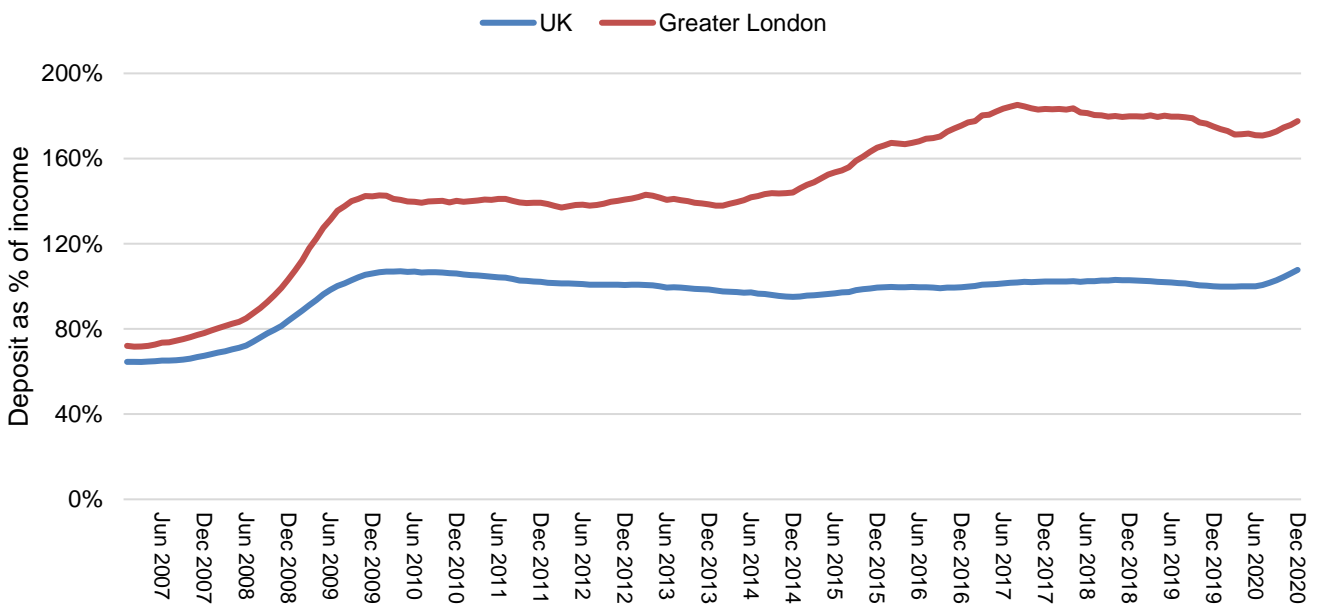


**Mortgage Markets**

The amount buyers have had to borrow to buy homes has been at historic highs, and has been pushing at the limits of mortgage regulation in London. Data from UK Finance showed a small dip in the income to deposit ratio during mid-2020, especially in London. This is likely a result of a change in the composition of buyers during this period towards more affluent households, reflecting the shift to more conservative and risk averse lending from banks during the initial lockdown. More recently the data shows that the trend is reversing the income to deposit ratio is rising again, reaching 178% in London and 108% for the UK.

In the mainstream housing market, mortgage deposit requirements have increased significantly since 2007. Whilst affordability is a UK wide issue, it is particularly acute in London where buyers' ability to access housing is hindered by high house prices. This has led to a growing demand for rental property and a reduction in transaction levels, particularly in mortgage driven markets.

**Figure 4 – UK and London First Time Buyer deposit as a % of income, December 2020**



Source: UK Finance<sup>3</sup>

<sup>3</sup> UK Finance replaced their previous data tables with new ones that reflect more comprehensive and detailed data in Summer 2019. As part of this the average metrics have changed from medians to mean averages.

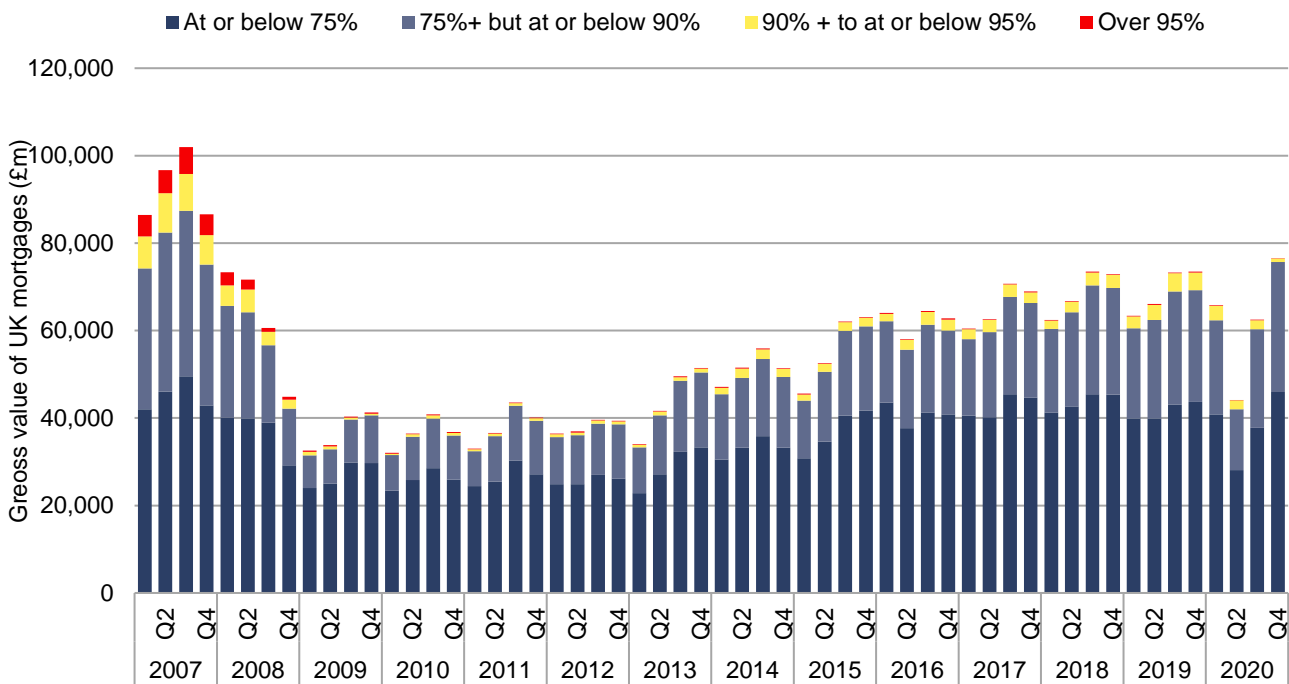


The housing market is highly dependent on the cost and availability of mortgage debt. The base rate is expected to remain low for the foreseeable future, which will help maintain mortgage rates at relatively affordable levels, especially for low Loan to Value (LTV) mortgages. Lenders are responsible for assessing whether the customer can afford the loan, and interest-only loans are only granted to homeowners who have a credible strategy for repaying the capital. Mortgage providers must stress test the ability of buyers to finance mortgage repayments against a 3% rise in interest rates at any point over the first five years of the loan.

In the wake of the Covid-19 lockdown, and economic uncertainty, lenders have become more cautious in engaging in new lending, in particular to those seeking higher LTVs; however, there are signs that confidence is returning back to the market. In Q4 2020, lower LTV lending recovered more quickly with lending at less than 75% LTV mortgages was back above Q4 2019 levels as was lending at 75-90% LTV. However 90-95% LTV and over 95% LTV lending remain 80% and 4% lower than Q4 2019 respectively. The least affordable markets are most exposed to a tightening in the stress testing regime and these markets are already seeing lower levels of activity and generally lower levels of house price growth.

In addition to this market cooling measure, in June 2014 the Bank of England's Financial Policy Committee (FPC) proposed that lenders can not lend more than 15% of mortgages at more than 4.5 times a borrower's income. Loan to Income multiples are particularly high among those buying higher value properties with mortgage debt, especially in London. While the FPC's cap on lending to high LTI multiples will not affect lending on a national level, it does highlight the higher levels of borrowing in the capital and hence where banks are likely to tighten their lending to reduce their risk exposure.

Figure 5 – UK mortgage lending, Q4 2020



Source: PRA/FCA (UK Finance)

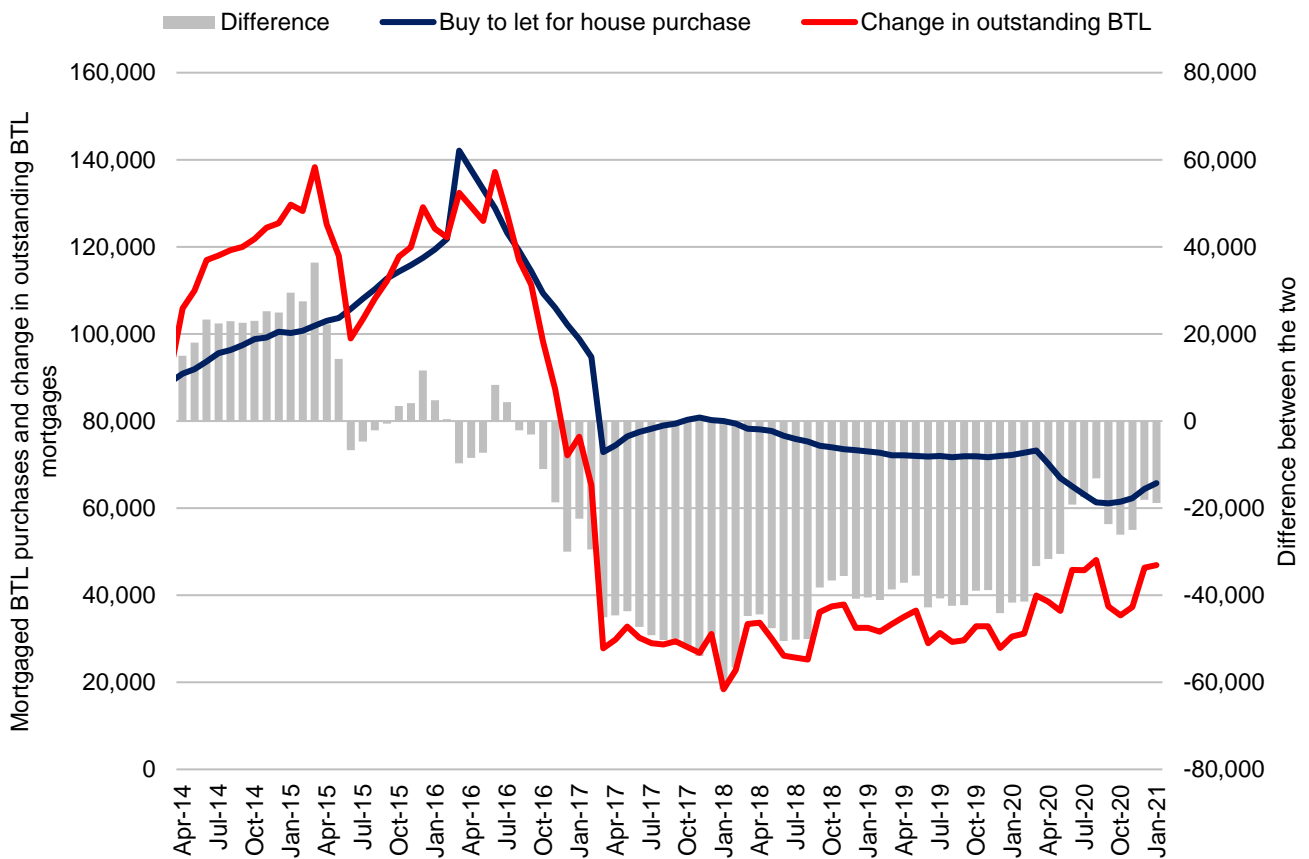


The UK rental market remains dominated by buy-to-let investors despite institutional landlords investing significant amounts of capital in recent years. Buy-to-let lending had expanded significantly since the credit crisis, however, the buy-to-let mortgage market has faced serious headwinds, due to the 3% stamp duty surcharge, the reduction of mortgage interest tax relief and increased mortgage regulation. But, the “Stamp Duty Holiday” that will run until 30<sup>th</sup> June 2021 also applies to buy-to-let investors, which may encourage some to enter the market and take advantage of the savings on tax.

Mirroring the wider market, there was a significant drop in the number of new buy-to-let mortgages during April and May, as the market was in lockdown. The number of new buy-to-let mortgages has remained low and in the 12 months to January 2021 was -9% below the number in the 12 months to January 2020. Remortgages also fell considerably, -16.4% in the year to January 2021 compared to the same time last year.

The volume of outstanding buy-to-let mortgages is growing significantly slower than the number of new buy-to-let mortgages for house purchases. This indicates a higher rate of buy-to-let mortgage redemption with a growing number of mortgaged landlords selling up and exiting the market. Although the rate of redemptions has slowed since the beginning of the year, this still highlights the growing opportunity for large scale professional investors to enter the market and fill the gap.

Figure 6 – Number of Buy-to-Let Mortgages in UK Market, January 2021



Source: UK Finance

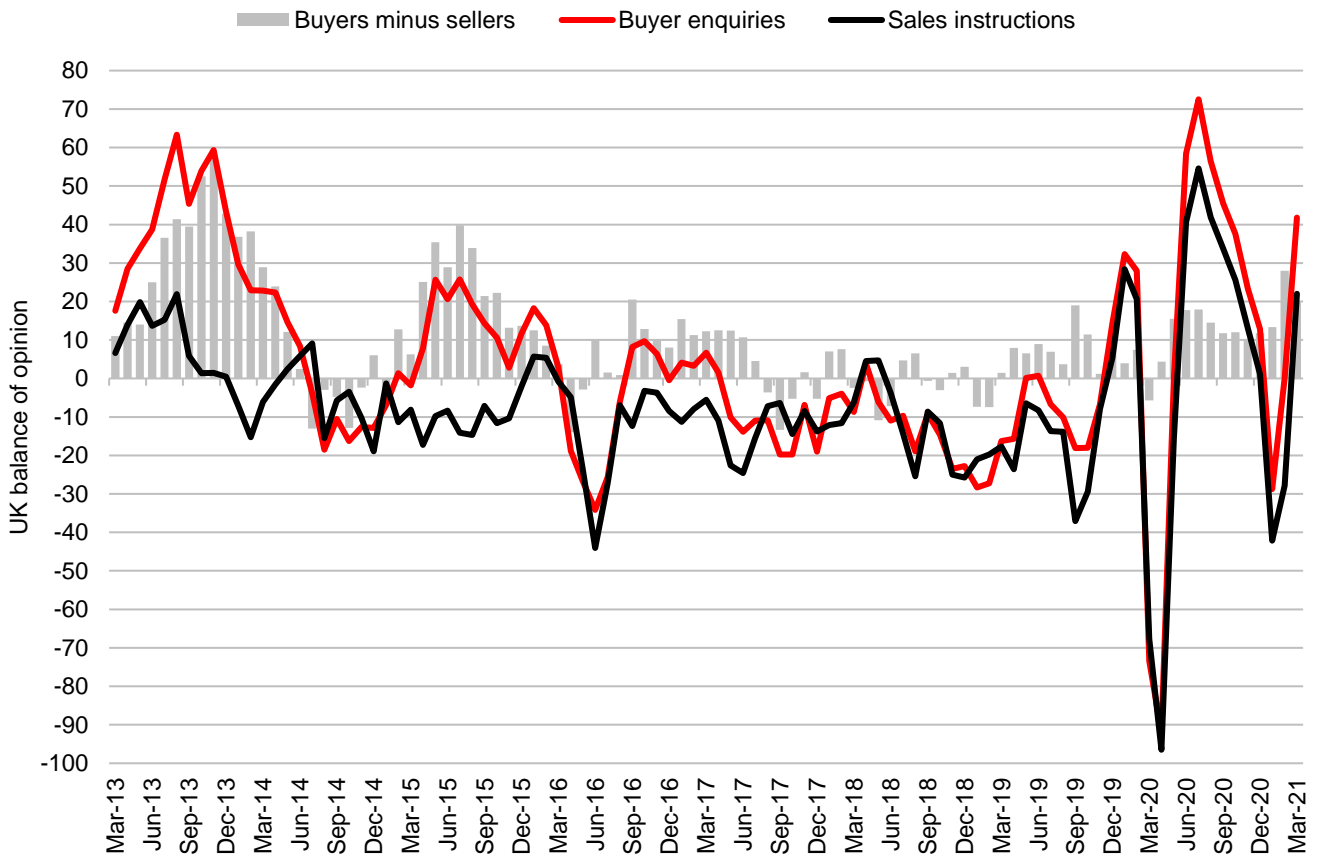


Market Indicators

The monthly RICS Residential Survey monitors surveyor opinion on the balance of new buyer enquiries and new instructions and can act as a forward looking indicator of future price movements. In terms of buyer sentiment, new enquiries and sales instructions have been quite subdued since the Brexit Referendum in 2016. There was a slight boost in sentiment following the conservative victory in the General Election on December however.

This was soon overshadowed by the onset of the Covid-19 crisis and the national lockdown. This saw almost all surveyors reporting falling sales instructions. After estate agents were allowed to reopen in May, the majority of surveyors reported rising levels of sales instructions. This cycle repeated over the third lockdown with instructions and enquires reaching -42 and -29 respectively in January 2021 before recovering to +22 and +42 by March.

Figure 7 – Balance of surveyor opinion (sales) UK, March 2021

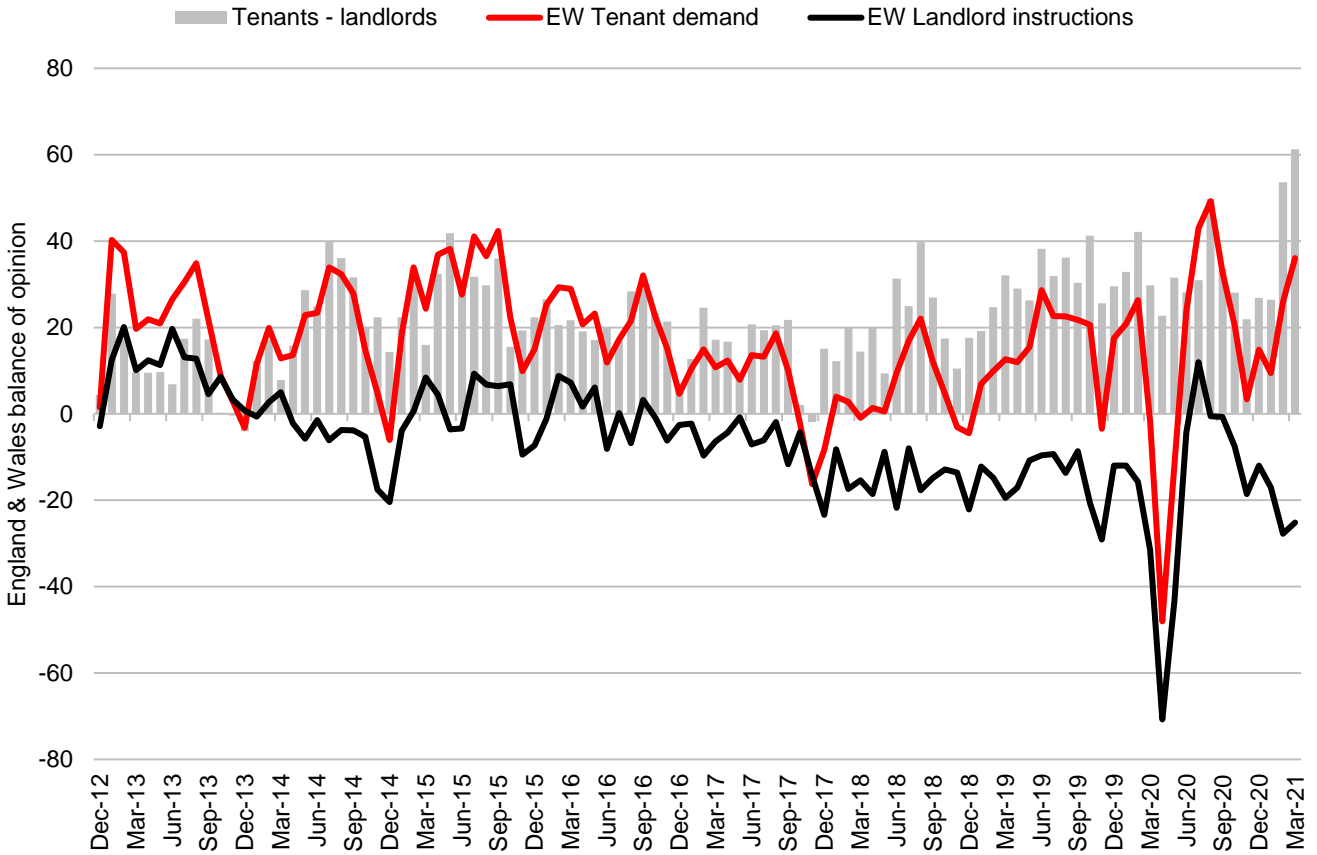


Source: RICS Residential Market Survey, Savills Research



The monthly RICS Residential Survey also monitors surveyor opinion on the balance of tenant demand and landlord instructions. The latest survey shows that across England and Wales, the volume of landlord instructions had generally been trending downwards since the end of 2015. As with sales, there was a significant dip in activity following the national lockdown, but there has been a similar bounce back. In April 2020, tenant demand fell to -48 while landlord instructions reached -71. Both tenant demand and landlord instructions peaked in July, as the national lockdown was lifted, at +43 and +12 respectively before tailing away again as another national lockdown was bought in. Following the initial drop in January 2021 with the third lockdown, tenant demand has recovered strongly reaching +36 in March 2021, while the level of landlord instructions has continued to fall reaching -25.

Figure 8 – Balance of surveyor opinion (lettings) England & Wales, October 2020



Source: RICS Residential Market Survey, Savills Research

### Outlook for Capital Values

In June we undertook an exercise to update our forecasts to reflect the effects of Covid-19 and its associated lockdown. This was then revised again in September and March. We now believe price rises are likely to be around 4.0% for the mainstream market in 2021.

There is the prospect of a lull in the market once the stamp duty holiday ends and the economic realities of lockdown are brought more sharply into focus as the unemployment rate peaks. However, the newly announced tapering of the stamp duty relief in the period to September, together with the introduction of a mortgage guarantee scheme across the UK as a whole, will provide support to transactions in this period, though we do expect the market to cool.

The fundamentals of our medium-term view remain. We anticipate a continuation of stronger demand when signs of the Covid-19 effect dissipate. Sellers will need to stay pragmatic on pricing during 2021 as demand becomes more dependent on needs-based and opportunistic buyers. Following 2021, we are forecasting further growth across the UK with 5.0% forecast for 2022.

We are at the point in the property cycle where growth in London typically slows as price rises ripple out to the surrounding regions, following a prolonged period of price growth in London being significantly higher than that in the rest of the country. The effects of Covid-19 complicate this usual pattern, but we expect this general trend to be preserved. Over the next five years we expect to see a continuation of the historical trend seen in the second half of the housing market cycle, where London and the South underperform markets in the Midlands and the North of England.

At present, affordability, measured by mortgage payments as a proportion of income, remains relatively benign across much of the country. Affordability concerns will restrict growth in London and the South East where the mainstream market is already stretched, with high deposits and loan to income ratios limiting growth. The Midlands and North both have more capacity for growth, as mortgage affordability is less stressed.

**Table 2 – Mainstream capital value forecasts (First published March 2021)**

	2021	2022	2023	2024	2025	5-year compound
London	2.5%	4.5%	2.0%	2.0%	1.0%	12.6%
South East	5.0%	4.5%	2.5%	2.5%	1.5%	17.0%
East of England	5.0%	4.5%	2.5%	2.5%	1.5%	17.0%
South West	5.0%	4.5%	2.5%	2.5%	2.0%	18.7%
East Midlands	4.5%	5.5%	5.0%	4.0%	3.0%	24.0%
West Midlands	4.5%	5.5%	5.0%	4.0%	3.0%	24.0%
North East	3.5%	4.5%	4.0%	3.5%	3.5%	20.5%
North West	4.5%	6.0%	5.5%	5.5%	4.5%	28.8%
Yorkshire and The Humber	4.5%	6.0%	5.5%	5.0%	4.5%	28.2%
Wales	3.5%	5.5%	5.0%	4.0%	3.0%	22.8%
Scotland	3.0%	5.0%	4.5%	4.5%	4.0%	22.8%
UK	4.0%	5.0%	4.0%	3.5%	3.0%	21.1%

Source: Savills Research (as at March 2021)

### Prime Lettings Market

The rental markets of prime London and the prime commuter belt continued to perform very differently during the final three months of 2020, as tenants continued to reassess their housing needs given their experience of the pandemic

### Prime commuter zone

Rents in prime locations had been falling across all prime regions over the last five years. However, the experience of the Covid-19 pandemic has led many tenants to place more emphasis on lifestyle drivers with many searching for more space both inside and out. Indeed, across the prime housing markets of the commuter belt rents increased by 0.7% in the fourth quarter of 2020, leaving them 3.4% higher year on year. This marks the strongest annual growth in rents across the commuter belt for over seven years. Much of this excess demand in the commuter zone has been displaced from London.

Looking ahead, we expect to see continued demand for family houses from those relocating from London over the same period, especially where they are unable to secure their dream property to purchase. Now that the UK is in the midst of its largest mass vaccination programme on record, this demand is likely to ease as workers begin to return to offices and demand for inner city living recovers.

### Prime London

In Q1 of 2020, prime London rents saw growth for the first time in 4 years. This growth was primarily driven by higher levels of demand than supply. The effects of the Covid-19 pandemic have cut short this growth, with values falling significantly since Q1 2020.

Across the capital, tenants have continued to put more emphasis on more space and the availability of a private garden with many reevaluating their housing choices. Prime London rents fell by 1.5% in the three months to December 2020, leaving them down 3.7% on an annual basis. That has been driven by a 6.2% fall in the rental value of flats, which have been at the sharp end of an increase in stock coming from the short term lettings market and a reduction in demand from international students, young professionals and sharers.

With greater emphasis on space, the rental value of prime houses proved relatively robust (seeing rental falls of just -0.2% over the course of the year). Areas with strong family housing stock such as Wandsworth and Clapham have therefore performed much better than other areas of London. On the flip side, rental values in Prime Central London fell by -6.6% as the impact of travel restrictions have been felt strongly.

We expect a continuation of current trends to drive the market. How long it takes the London market to absorb the high supply levels will partly depend on the return of demand from corporate relocation tenants and international students. While we have seen corporate demand increase to three-quarters of normal levels, ultimately this will be determined by the easing of social distancing restrictions. That suggests London will remain a tenants' market over the remainder of this year and the early part of next, before more sustained rental growth returns.

**Table 3 – Rental growth across Prime London and commuter belt**

Prime rental movements to December 2020	Central London	North West London	South West London	West London	North & East London	London's commuter belt
<b>Quarterly growth</b>	-1.9%	-1.6%	0.2%	-0.7%	-3.1%	0.7%
<b>Annual growth</b>	-6.6%	-3.8%	1.9%	-0.3%	-7.5%	3.4%
<b>5-year growth</b>	-21.2%	-8.4%	-4.1%	-4.1%	-5.2%	-0.3%

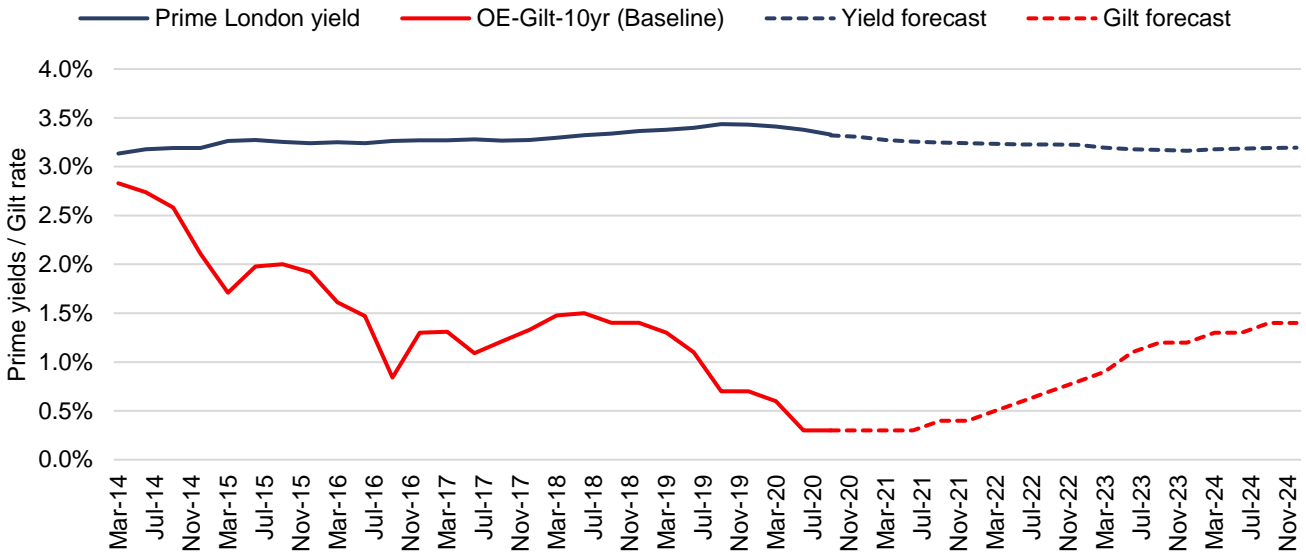
Source: Savills Research



**Prime yields**

Prime yields had been trending upwards over the last five years and peaked at 3.4% at the end of 2019. Over the next four years we anticipate gross rental yields to remain relatively unchanged across the prime London market. Gilts on the other hand have been falling over the past five years and the 10-year Gilt rate currently sits at 0.3%. Oxford Economics forecast the risk-free rate to remain constant over the next year before steadily rising from September 2021. The anticipated convergence of prime yields and the risk-free rate over the next few years implies that prime property will become a safer asset to hold and hence will have stronger investment potential for those seeking an asset with defensive characteristics.

**Figure 9 – Prime yields and 10 year Gilts forecast**



Source: Savills Research, Oxford Economics



# Residential Investment Market – Standing Investments

## UK Transaction Activity – Standing Investments

Across the UK c.£810 million of operational assets were traded during Q1 2021. This included Project Harmony to QuadReal Property for c.£580 million. This is the largest acquisition of operational rental stock this quarter and for multiple assets across the UK, we currently do not know the total number of units that they will deliver.

**Table 4 – Key Standing Investments (Q1 2021)**

Scheme	Location	Investor	Number of PRS Units	Price
Project Harmony	Various	QuadReal Property	938 BTR & 339 PBSA Beds	c.£580 million (including PBSA)
Project Thistle	UK	Goldman Sachs	918	c.£150 million

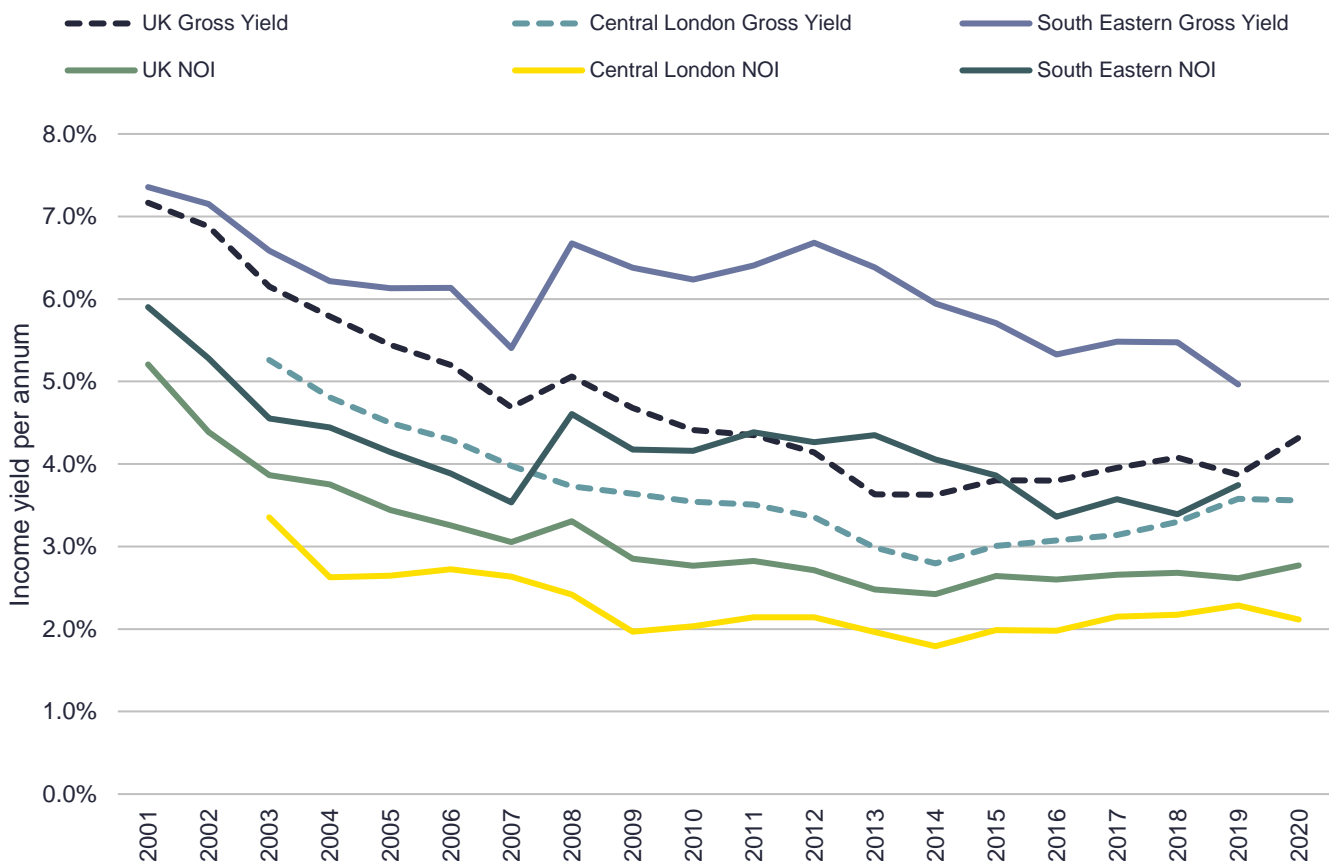
Source: Savills

## Gross and Net Yields

MSCI analyses the rented investments owned and managed by large professional landlords. In 2020, the MSCI residential sample included 563 market let rental blocks. MSCI undertook a significant change to their methodology in 2017, which means their statistics should better reflect the actual market.

Gross rental yields in the year to Dec-20 were 3.6% in central London. MSCI didn't produce any yield data for inner or outer London or the South East in 2020. Across the UK in the year to Dec-20 they increased to 4.3%. Net Operating Income (NOI) yield was 2.1% for central London. UK wide in 2020 NOI yield was 2.8% for market let properties.

**Figure 10 - Gross and Net Running Yields**



Source: MSCI



**Total Returns**

The figure below shows the total returns for residential property in Central relative to the whole UK and MSCI's All Property Index, which includes all commercial real estates. Total returns fell across all areas and property types in 2020; however, the falls were lowest for UK residential.

Over the long term, residential property has performed very strongly, with 15 year returns out performing the All Property Index, with an annualised return of 6.4% compared with 5.0%.

**Figure 11 - Annualised Total Returns, December 2020**



Source: MSCI

**Table 5 - Annualised Total Returns for Different Asset Classes**

	Central London Residential	UK Residential	UK All Property
1 year	-4.2%	-1.0%	-2.4%
3 years	-4.7%	0.1%	1.1%
5 years	-3.1%	1.1%	3.3%
10 years	3.5%	5.9%	6.9%
15 years	6.1%	6.4%	5.0%

Source: MSCI

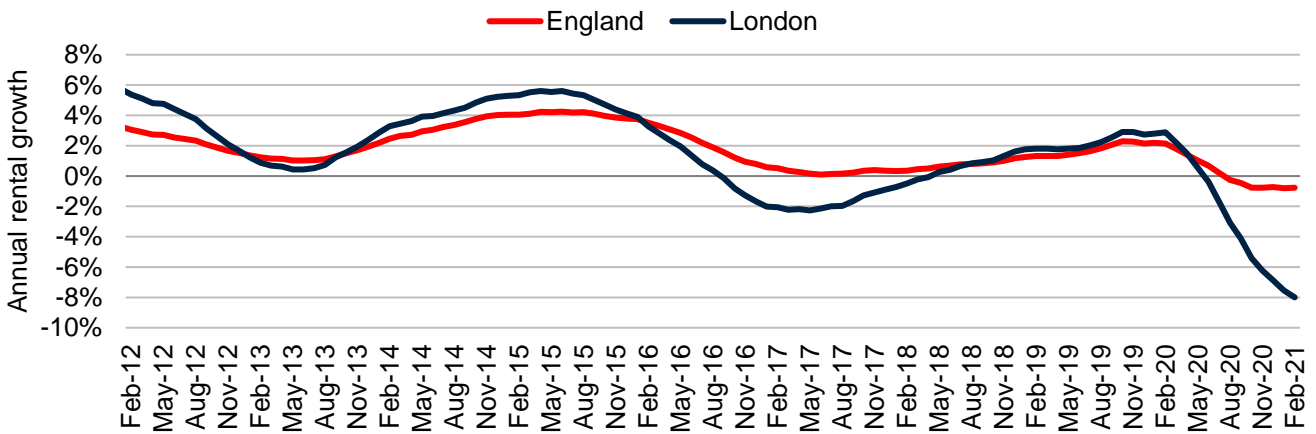


**Rents**

Rental growth across England had been gradually rising since 2017. However, since March annual rental growth has been slowing across the country. According to the latest Zoopla Private Rental Index – which uses Zoopla listings data and a repeat sales model to measure the annual change in achieved rents – the annual rate of growth was -0.8% in February for England, down from 2.1% a year earlier. London meanwhile has seen significant rental falls over the last year, and annual growth sat at -8.0% in February 2021, down from 2.9% in February 2020.

While rental falls have been highest in London, there is a similar pattern among other urban centres. These falls are likely to be the result of a change in the supply/demand dynamics of these markets due to Covid-19. Urban rental markets have seen demand drop from a combination of lower student demand, especially from overseas students, as well as lower corporate relocations. Furthermore, it is likely that some sharer households have temporarily returned to family homes while cities remain largely lockdown. At the same time the reduction in travel and tourism has resulted in an increase of stock as short let (AirBnB) units have been brought to the market for long term lets. We would expect that this imbalance will remain during the first half of 2021, however, demand is likely to return in H2 2021 as vaccinations continue to be rolled out and we return to normality.

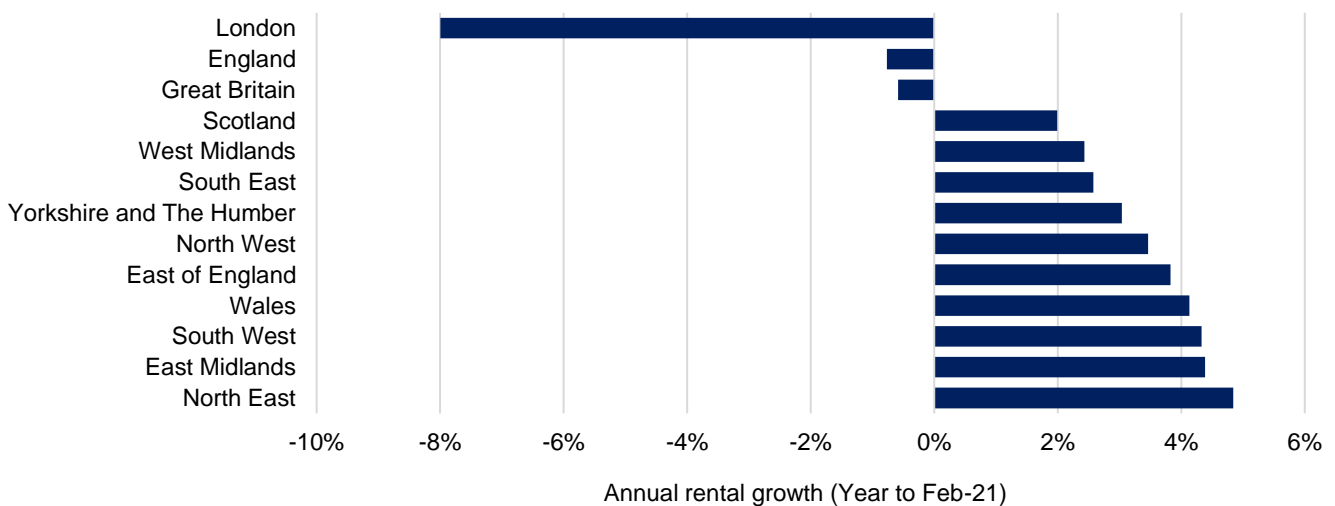
**Figure 12 – Annual Rental Growth, February 2021**



Source: Zoopla powered by Hometrack

London is the only region in which rents have fallen over the last 12 months (-8.0%). All other regions across the UK have experienced positive rental growth meaning annual rental growth has seen small decreases across England and Great Britain. The West Midlands and Scotland have experienced the slowest rental growth outside of London at 2.4% and 2.0% respectively. The North East and East Midlands have experienced the fastest growth in rents, at 4.4% and 4.8% respectively.

**Figure 13 – Annual rental growth by region, February 2021**



Source: Zoopla powered by Hometrack

In recent years, the cheaper London boroughs have generally seen stronger price growth. This effect has faded away recently however, and there is now no clear link between average values and annual house price growth. Annual growth was strongest in Islington and Waltham Forest, with rises of 5.9% and 5.7% respectively. Growth was weakest in Harrow and Enfield, with values dropping 0.6% and 0.8% in the 12 months to December respectively.

Looking at rents, 26 London Boroughs experienced negative rental growth in the year to February 2021. Most of the greatest rental falls have occurred in inner London boroughs where house prices are very high for example Kensington & Chelsea (-13.8%), Westminster (13.1%), Islington (-12.0%) and Camden (-11.9%). However Tower Hamlets saw the second largest fall in rents at -13.5%. Those that have seen rental growth in the last 12 months are mainly Outer London boroughs; Croydon (0.2%), Enfield (0.7%), Sutton (1.4%), Bromley (1.4%), Havering (2.0%) and Bexley (3.6%).

**Table 6 – House price and rental movements by London Borough, December 2020**

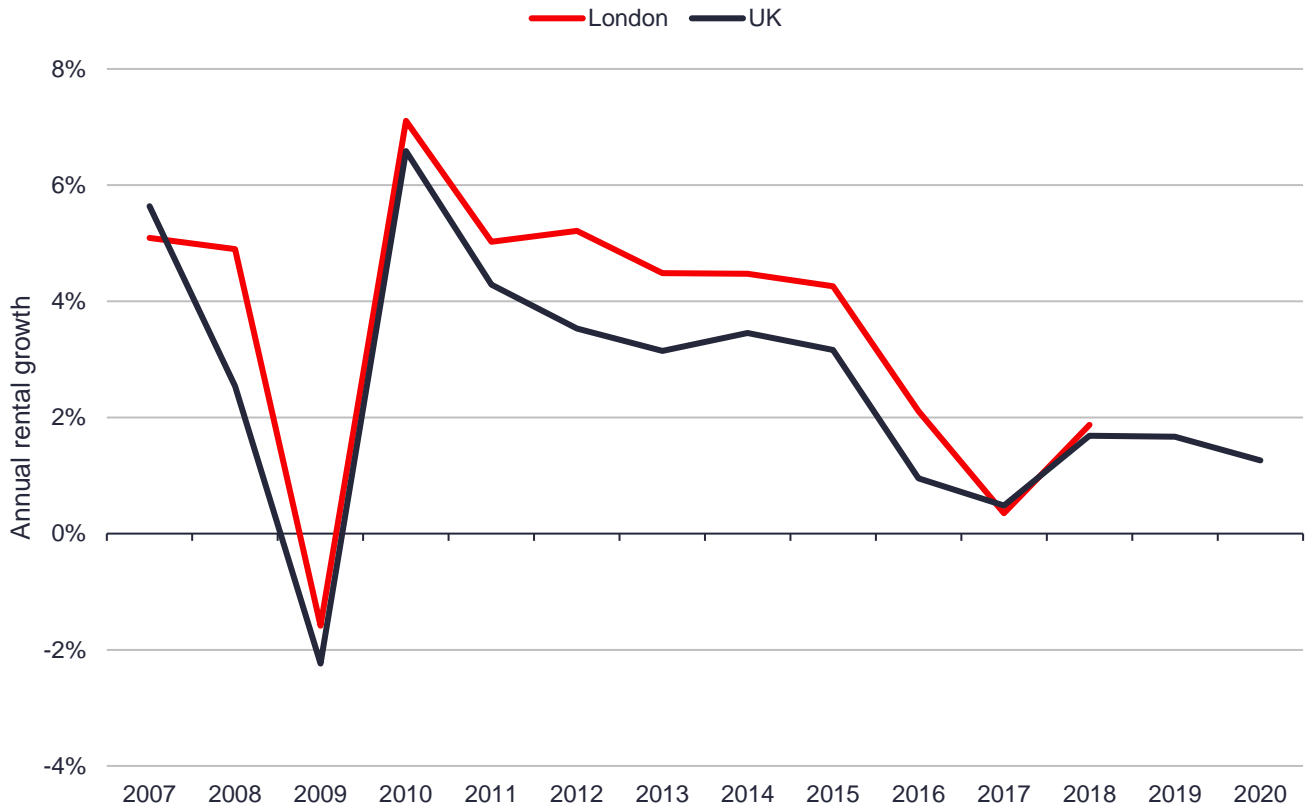
	Average price (December 2020)	Prices vs 2007/08 peak	Prices vs 2014 peak	Annual growth	Quarterly growth	Annual rental growth (as at Feb-21)
Islington	£766,765	70%	14%	5.9%	1.2%	-11.99%
Waltham Forest	£485,601	94%	46%	5.7%	2.2%	-2.60%
Kensington And Chelsea	£1,909,344	52%	-3%	5.5%	0.9%	-13.84%
Richmond Upon Thames	£849,531	59%	17%	5.0%	1.6%	-2.70%
Lewisham	£483,668	80%	35%	5.0%	1.4%	-4.76%
Southwark	£648,533	82%	26%	4.7%	2.2%	-11.83%
Merton	£662,691	64%	25%	4.7%	1.6%	-5.65%
Hammersmith And Fulham	£923,319	59%	3%	4.7%	1.7%	-11.08%
Tower Hamlets	£532,425	51%	20%	4.5%	1.8%	-13.49%
Lambeth	£642,569	79%	20%	4.5%	1.3%	-10.32%
Redbridge	£471,559	55%	39%	4.4%	1.5%	-0.39%
Newham	£393,237	62%	47%	4.4%	3.1%	-8.46%
Wandsworth	£776,402	66%	14%	4.1%	0.9%	-7.51%
Camden	£1,036,502	60%	7%	4.1%	1.4%	-11.94%
Hounslow	£535,339	53%	27%	4.0%	1.7%	-2.96%
Haringey	£667,008	75%	25%	3.8%	0.2%	-4.77%
Greenwich	£497,105	66%	35%	3.7%	1.9%	-7.09%
Hackney	£617,049	88%	23%	3.6%	1.6%	-11.04%
Kingston Upon Thames	£578,275	55%	22%	3.4%	1.6%	-0.49%
Hillingdon	£473,474	57%	36%	3.4%	1.3%	-1.66%
Barnet	£663,890	56%	25%	3.3%	1.4%	-3.14%
Ealing	£593,766	58%	19%	3.2%	0.7%	-6.35%
Bromley	£516,328	59%	30%	3.1%	1.5%	1.44%
Westminster	£1,462,324	58%	0%	3.0%	-0.3%	-13.13%
Sutton	£422,588	53%	31%	2.7%	1.7%	1.36%
Havering	£409,672	56%	45%	2.4%	1.3%	2.04%
Bexley	£379,462	58%	42%	2.3%	1.0%	3.62%
Barking And Dagenham	£316,462	56%	48%	2.3%	0.8%	-0.40%
Croydon	£402,728	54%	34%	2.0%	0.7%	0.15%
Brent	£563,392	59%	21%	1.5%	0.0%	-5.91%
Enfield	£456,565	51%	31%	0.8%	0.7%	0.71%
Harrow	£538,364	50%	26%	0.6%	0.8%	-0.26%

Source: Savills Research using HM Land Registry, Zoopla powered by Hometrack



We can also look at MSCI rental data – which measures rental value growth in large scale landlord’s portfolios – to estimate the rent that a landlord would achieve if the unit was re-let in the open market – effectively a measure of new lettings. According to the MSCI data, rental growth for the UK sat at 1.3% in 2020. They have not published data for London since 2018 when it was at 1.9%.

Figure 14 – MSCI Annual Rental Growth, 2020



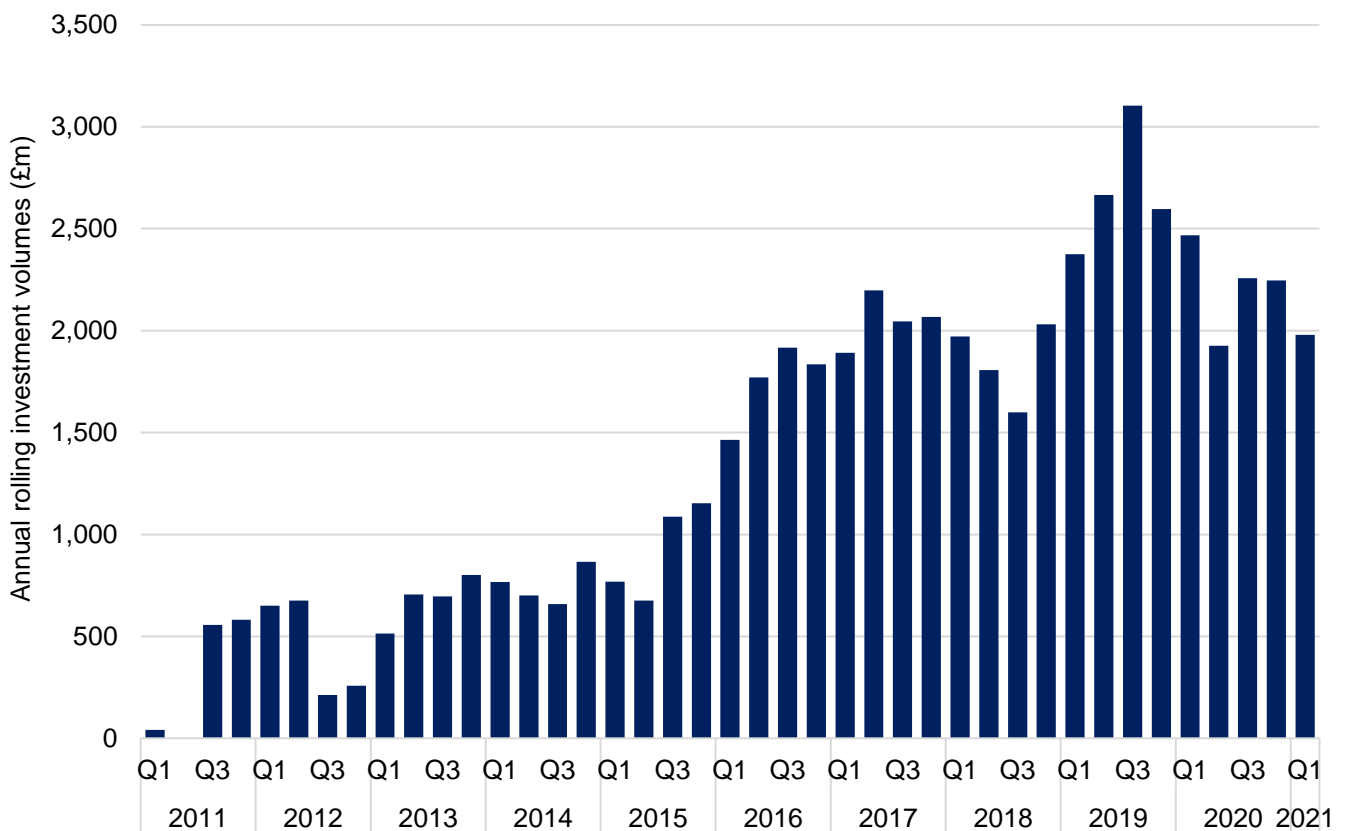
Source: MSCI

## Residential Investment Market – Build to Rent

### UK Transaction Activity - Funding

Savills Residential Investment Transaction database tracks the progress of large-scale investment deals, including portfolio deals. It shows that during Q1 2021 c.£414 million of funding deals were completed placing total funding investment in the year to Q1 2021 at £2.0 bn. Funding deals remain a common theme for investment transactions. This is due to the paucity of built stock and the need for investors to fund new stock development in order to access the market. Many commentators on the market refer to all this new PRS stock as Build to Rent (BTR). This is mainly attributed to the fact that the stock is owned by a single entity, operated as a single investment and professionally managed.

Figure 15 – Investment Flows: Residential Funding Investment Transactions



Source: Savills

While London remains the most active investment market there have been a number of significant deals over the past 12 months in many regional cities including Glasgow, Birmingham, Bristol and Manchester.

Table 7 – Key Funding Deals (Q1 2021)

Site	Location	Investor	Number of PRS Units	Price (approx.)
Millwrights Place	Bristol	Grainger	231	£63 million
Kingfield Heath	Birmingham	AIMCo / Ridgeback	237	£50 million
Circus Street	Brighton	M&G	114	£46 million
Goodsyard	Bishop’s Stortford	Delph Properties (Kooky)	66	£20.5 million

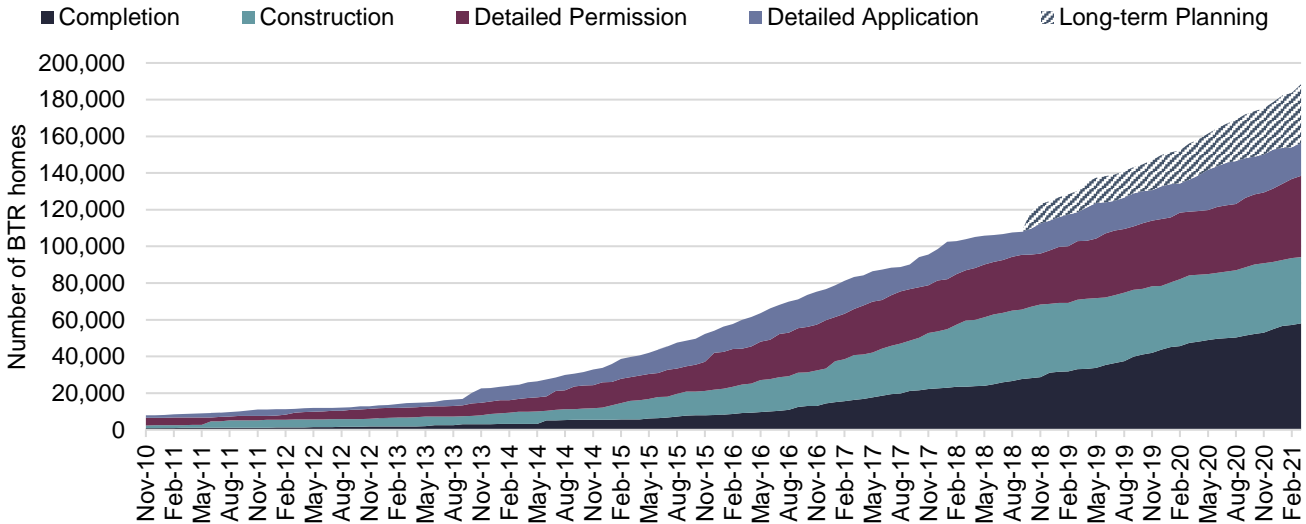
Source: Savills



**New Large-Scale PRS Supply**

In terms of new supply, there are currently c.190,000 new PRS units completed, under construction, with or in planning in the UK as of March 2021. This is 21% higher than March 2020. This is broadly evenly split between London (44%) and the Regions (56%). Not all of this is 'pure' BTR, but BTR has become synonymous with the delivery of new build rented housing and the pipeline of pure BTR is growing.

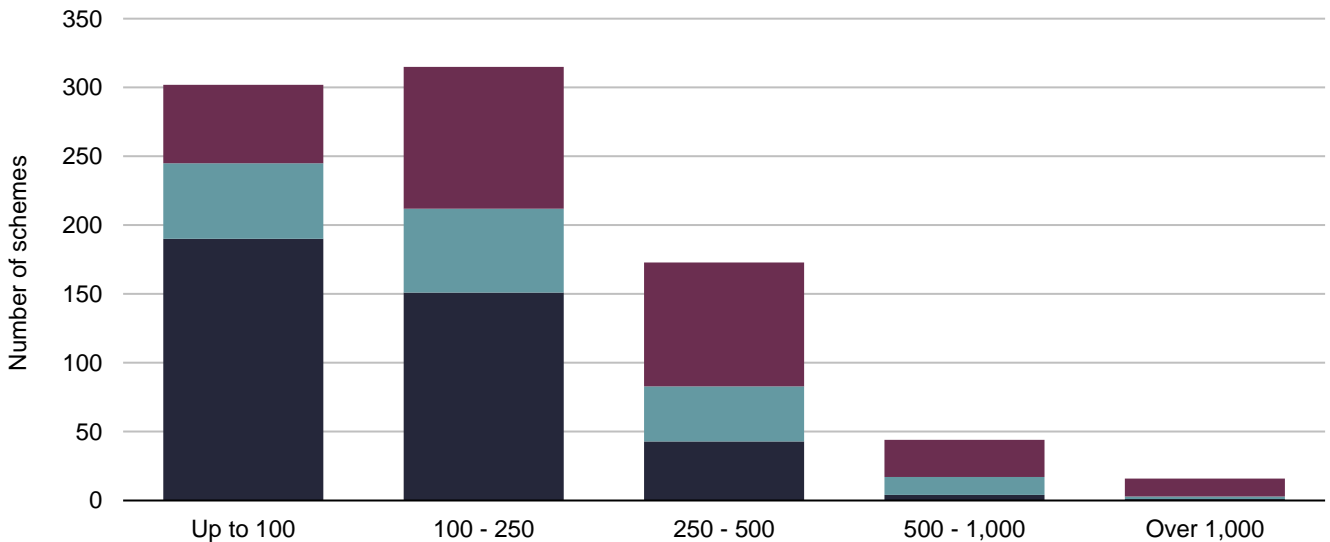
**Figure 16 –Total number PRS units, United Kingdom, Q1 2021**



Source: British Property Federation, Savills, Molior

In terms of scale of delivery, as the sector evolves and matures, the size of developments are increasing. Just under half (49%) of completed PRS schemes have fewer than 100 units; however, only 24% of schemes either under construction or in planning fall in this size band. This is reflective of growing investor confidence and the desire to build large scale portfolios. There is also a noticeable difference in the average size of schemes at different stages in the pipeline, with completed schemes averaging 142 units, schemes under construction averaging 211 units and schemes in planning averaging 300 units. There are currently 55 schemes in the pipeline due to deliver over 500 units. 15 of these are currently under construction, comprising c.10,500 PRS units. Furthermore, we are starting to see very large schemes come forward in the regions; Manchester and Birmingham both have schemes over 1,000 units in the pipeline.

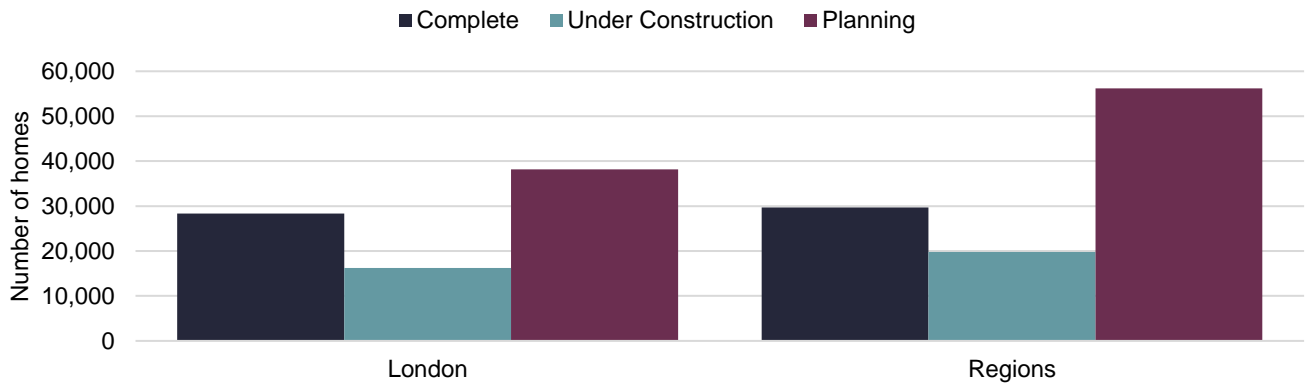
**Figure 17 –Total number of schemes and units by scheme size, United Kingdom, Q1 2021**



Source: British Property Federation, Savills, Molior

The regions and London are now in line in terms of total completed PRS stock, with a 50/50 split across all completed units. However, when looking at the pipeline, the regions have surpassed London, with 55% of the units under construction and 60% of units in planning located outside of the capital. London has typically led the way due to affordability pressures and high proportion of rental households, but investors have shown increasing interest in markets that offer good fundamentals at more competitive prices than London.

**Figure 18 – London vs Regions, breakdown of PRS supply and pipeline, Q1 2021**



Source: British Property Federation, Savills, Molior

During Q1 2021, 9 BTR schemes started construction across the UK, totalling c. 2,600 PRS units. Only two of these are located in London, with others located in locations such as Glasgow, Birmingham, Nottingham, Bristol and Leeds. Table 8 below provides an overview of the schemes that started construction in Q1 2021.

**Table 8 – Key Schemes Starting Construction in Q1 2021**

Scheme	Location	Investor/Funder	Number of PRS Units
Abbey Place	Greenwich	CBRE Global Investors	221
Settle Point / Valetta Park	Newham	Populo Living	182
Holland Park	Glasgow	Apache Capital	433
Unity House & The Armories	Birmingham	Alpha Real Capital	163
The Residences (Edgbaston Stadium Development)	Birmingham	Patrizia Immobilien AG	374
Queens Road	Nottingham	Grainger	348
Millwrights Place - Finzels Reach (Phase 2)	Bristol, City of	Grainger	252
Tower Works	Leeds	Legal & General	245
Hockley Mills, Jewellery Quarter	Birmingham	Legal & General	395

Source: British Property Federation, Savills, Molior

### Prospects for Rental Growth

Rental values tend to be more resilient than capital values during a downturn. Rents fell just -2% following the GFC, whereas house prices fell -18%. We expect rents will also remain relatively resilient in the coming months and years, albeit there may be greater pressure in areas more reliant on international tenants and students or where the impact on unemployment is felt particularly strongly. We based our forecasts from March on rents continuing to rise in line with income growth. We expect this relationship to continue.

Taking into account the revised income growth forecasts from Oxford Economics (as at March 2021), that suggests we are likely to see rents rise 17.0% by the end of 2025, a strong increase on the 13% growth we predicted previously. Taking this together with our price forecasts, it suggests rental yields will be slightly lower in 2025 relative to today, in line with lower interest rate expectations. However, yields will fluctuate over the short term. This could create attractive opportunities for investors willing to hold for the long term.

Tightening access to mortgage finance, changing lifestyles and demographics are driving demand for privately rented homes at all price points. At the same time government changes to tax relief on buy to let mortgages and rising interest rates have made many private investors reassess their portfolios, with many consolidating or leaving the sector. This is particularly the case in London and the South East, where yields are lowest. Depending on how policy evolves on longer-tenancies and rent regulation, the pace of flight may accelerate further.

This is creating space for Build to Rent, which is already gaining momentum. However, it is not yet delivering at a sufficient rate to counter the withdrawal of buy-to-let investors from the market. Until the supply of BTR properties increases dramatically, the market will remain reliant on cash investors to bring more stock to the rental market. We are therefore likely to see demand grow faster than supply, driving rental value growth over the medium term.

**Table 9 – Rental value forecasts by year**

	2021	2022	2023	2024	2025	2021-2025 inclusive
<b>UK</b>	0.8%	4.5%	3.7%	3.5%	3.5%	17.0%
<b>Mainstream London</b>	1.5%	5.5%	4.0%	3.5%	3.5%	19.3%
<b>UK excl London</b>	0.4%	5.2%	3.8%	3.5%	3.3%	17.3%

Source: Savills Research (as of February 2021)

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## Appendix 5

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# Maidstone

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## PROMIS Retail Report

22 June 2021

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## Consumer demand



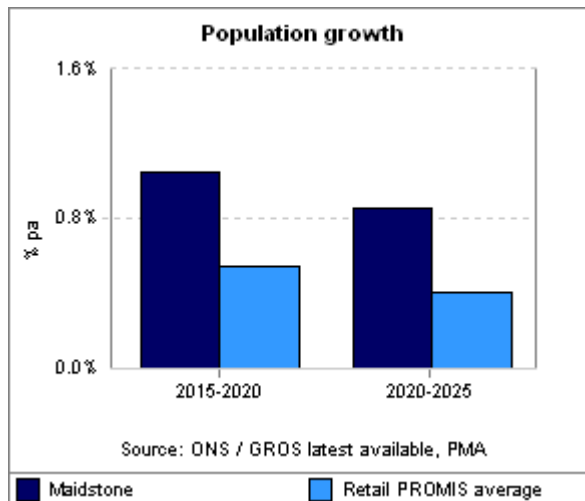
### Context

- Maidstone, located some forty miles south-east of London, is the county town and administrative centre of Kent. The town is categorised by PMA as a Sub Regional Resilient Town on the basis of the volume and quality of its retail offer.

### Retail market area

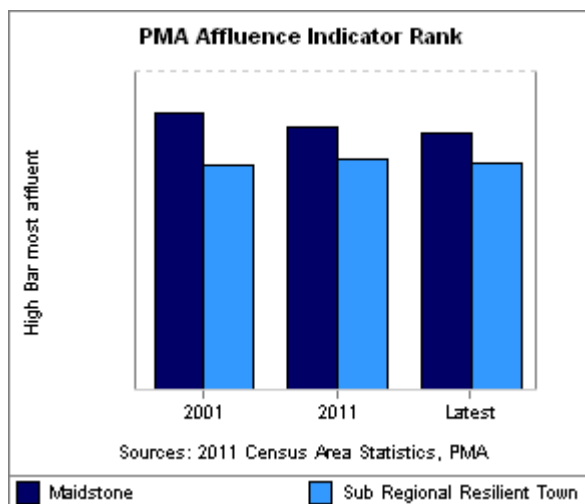
- The Primary Retail Market Area for Maidstone is modelled by PMA based upon the retail attractiveness of Maidstone relative to competing retail destinations. The area includes all wards where the penetration of the town exceeds 15%.
- The total population within the Maidstone Primary Retail Market Area is estimated at 279,000 at end 2020, significantly above the Sub Regional Resilient Town average and ranking the town 52 out of the PROMIS Centres.
- PMA estimates the Consumer Base of Maidstone to be 204,000, ranking the town 48 of the PROMIS centres, which is above the average for the Sub Regional Resilient Towns. The estimated Consumer Base reflects the modelled market penetration of the town both within the Primary Retail Market Area and beyond.
- Maidstone is projected to see significantly above average growth in population within its Retail Market Area over the period 2020-2025.
- Maidstone ranks 40 in terms of the volume of total retail spend available within the Primary Retail Market Area and is forecast to see significantly above average percentage growth in the available pool of retail spending over the forecast period, end 2020-2025. Diversion of total retail spending to online in 2020 was estimated to be 30.7%, which is marginally above average. This reflects the accelerated shift to online given COVID related restrictions on store openings in 2020.
- Total retail sales in the UK increased by a very modest 0.5% pa in 2020, compared with 3.4% growth in 2019 (nominal). This forecast is based on our Spring 2021 Main Scenario and comprises a modest re-bounce in total retail sales of 2.8% pa (real) in 2021, and further diversion of retail sales to online. A significant decline in food & beverage spend in cafes and restaurants, and in leisure spending, was also recorded in 2020.
- The COVID-19 pandemic has had a significant impact on travel and tourism, with international and domestic travel having been either barred or heavily discouraged at various stages of the pandemic. Although we expect the tourism sector to receive some respite in the form of vaccine rollout over 2021 and a focus towards domestic tourism, it is unlikely that international

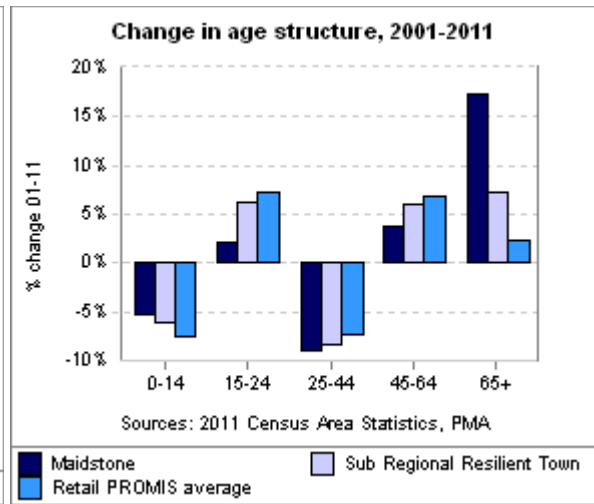
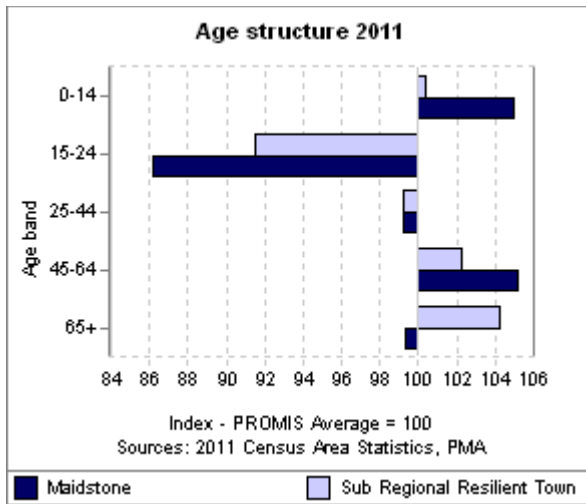
visitor numbers will return to end-2019 levels for some time, placing sustained stress on retailing and the food and beverage sector.

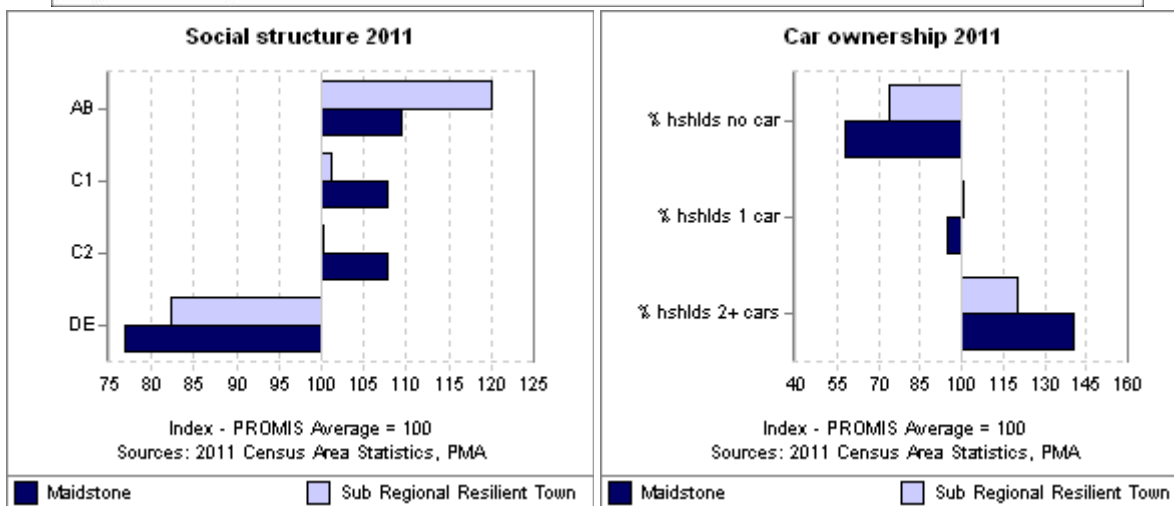
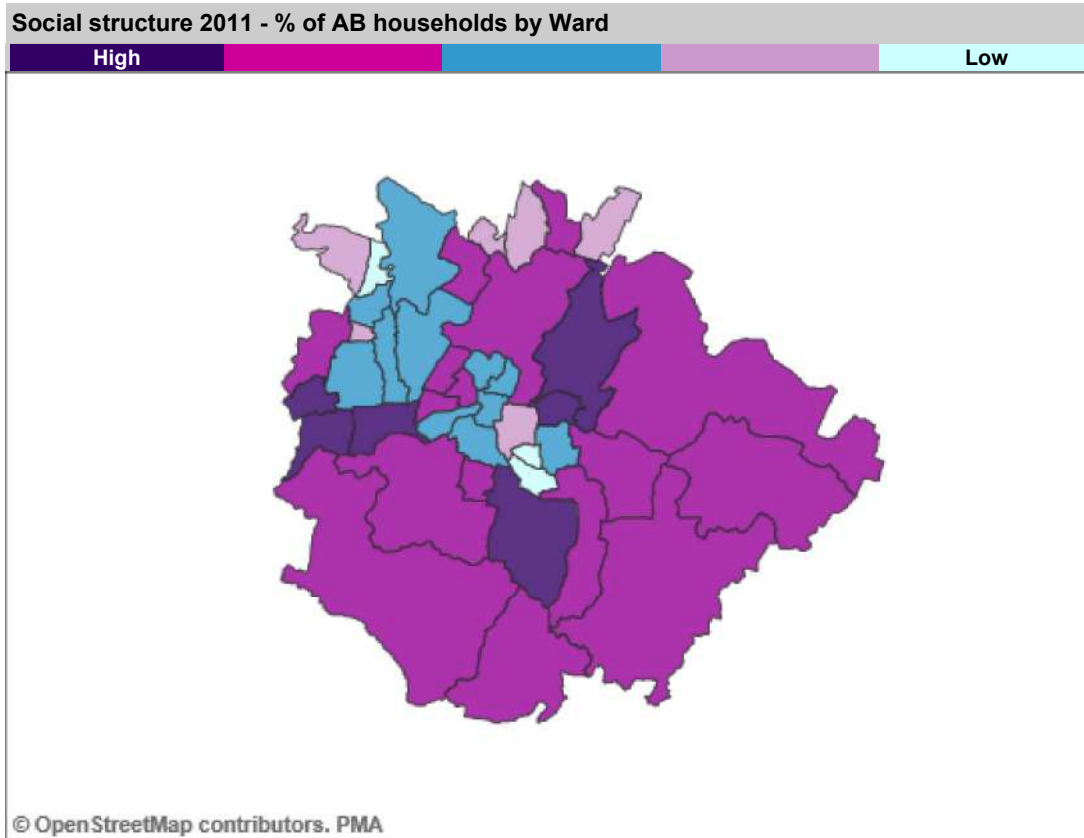


**Affluence and mobility**

- The age profile of the Maidstone Primary Retail Market Area includes a relatively high proportion of older working age adults aged 45-64; children aged 0-14 are also over-represented. In contrast, young adults aged 15-24 are particularly under-represented within the Maidstone area. Between 2001 and 2011 Maidstone saw a significant increase in the retired aged 65 and over.
- The Maidstone Primary Retail Market Area is moderately affluent, ranking 35 of the PROMIS centres on the PMA Affluence Indicator at 2011. Over the period 2001 to 2011 Maidstone saw a decline in the Affluence Indicator Rank; most recently this has fallen back due to both a rise in unemployment and fall in average house prices within the Maidstone area.
- Reflecting the demographic profile and spending habits of the Primary Retail Market Area, per capita total retail spending levels are above the PROMIS average (Source: CACI).
- In 2011 the Maidstone area contained a significantly above average proportion of adults of working age categorised within the most affluent AB social group (which includes those in managerial and professional occupations); social group C2 (which includes those in skilled manual employment) and social group C1 (which includes junior non manual employees) are also over-represented. In contrast, the least affluent D and E social groups (which includes those in skilled and unskilled manual employment, the unemployed and those on state benefits) are particularly under-represented within the Maidstone area.
- The level of car ownership in Maidstone is significantly above average with a particularly high proportion of 2 car households. Car ownership increased at significantly below the average for the PROMIS centres between 2001 and 2011, in terms of both total car ownership and multiple car ownership.







### Housing market

- Overall, the level of owner occupation decreased slightly from 69% to 65% across the PROMIS centres between 2001 and 2011 reflecting an increasing trend towards private renting particularly in the aftermath of the recession. The level of owner occupation in Maidstone is significantly above average.
- House prices in the area were above the PROMIS average in 2020 Q4; prices increased at a slower rate than the Retail PROMIS average in the period 2019 Q4 - 2020 Q4.
- While the unprecedented response to the COVID-19 pandemic initially had a marked impact on housing transaction volumes, pent up demand following the first national lockdown in spring 2020 saw volumes recover quickly, whilst average house prices have typically increased owing to lowered interest rates and a temporary reduction in the rate of stamp duty, as well as other government initiatives. As working from home has become commonplace, with many employers introducing formal flexible working policies expected to last beyond the scope of COVID-19 restrictions, many homeowners and first time buyers have re-evaluated their living requirements, with many favouring larger homes with outside space in rural and suburban locations. These factors have contributed to some of the highest price increases for a number of years. Looking ahead, the winding

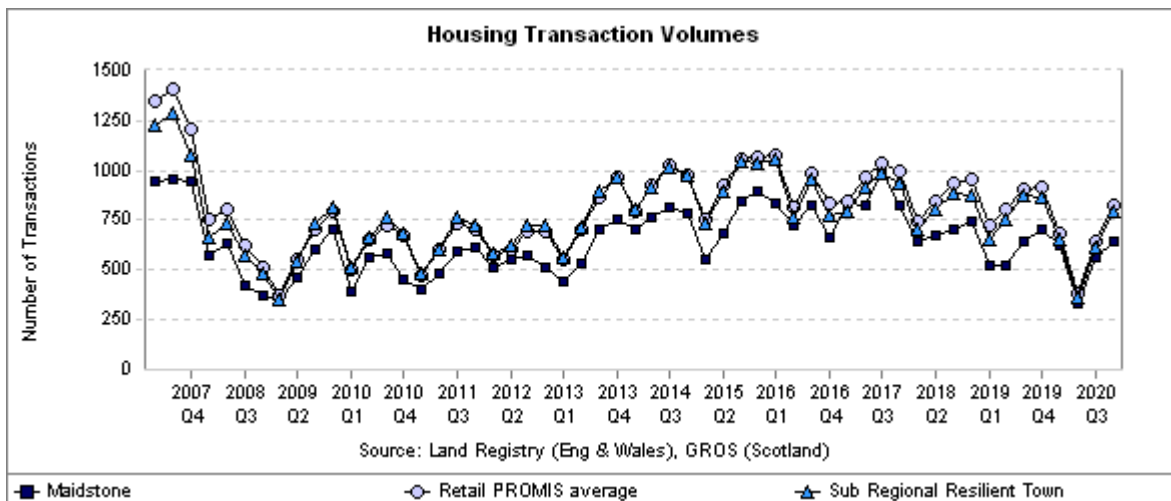
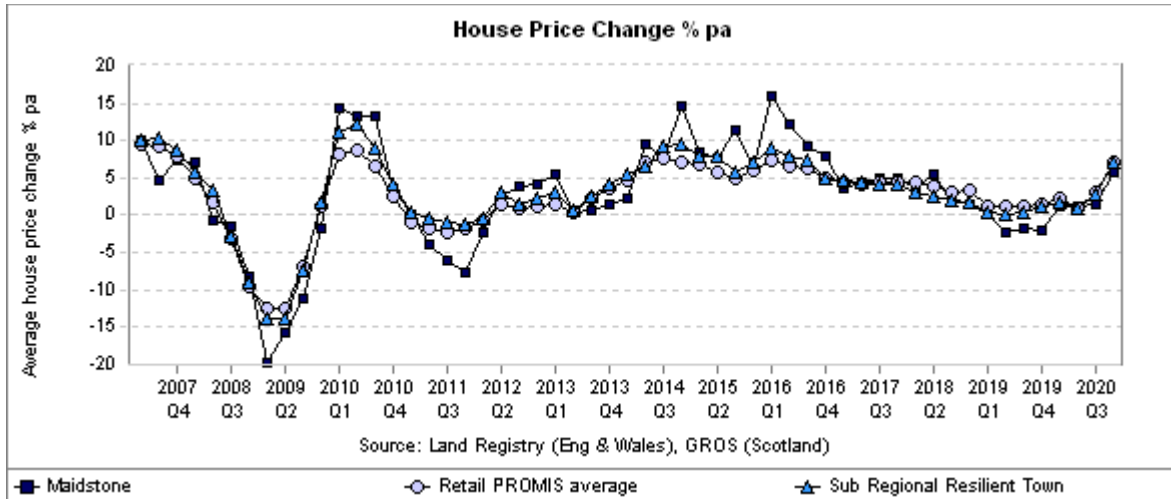
down of the stamp duty holiday in late 2021 and affordability concerns in some locations may provide a break for further house price growth.

**Housing Indicators**

	Maidstone	Retail PROMIS average
Owner Occupiers 1991 (% of households)	77	67
Owner Occupiers 2001 (% of households)	79	69
Owner Occupiers 2011 (% of households)	73	65
Average house prices 2020 Q4 (£)	342,100	294,900
Change in average house prices 2019 Q4 - 2020 Q4 (%pa)	5.6	7.1
2020 Q4 Transactions as % peak (peak=Q3 2007)	67	59
House prices 2020 Q4 as % peak (peak=Q4 2007)	132	135

Sources: 2011 Census Area Statistics, Land Registry (Eng & Wales), GROS (Scotland)

Last update: 10/06/2021

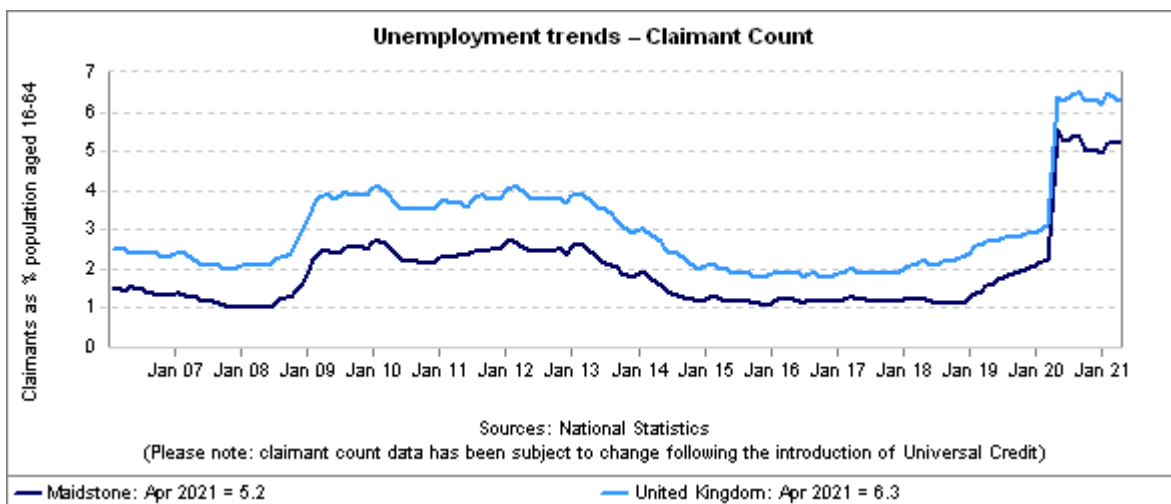
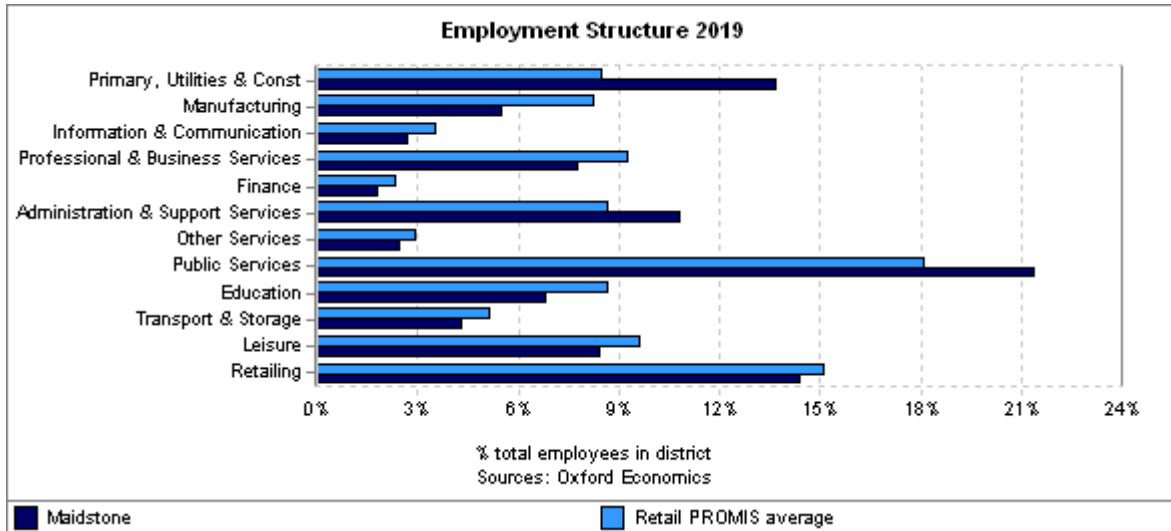


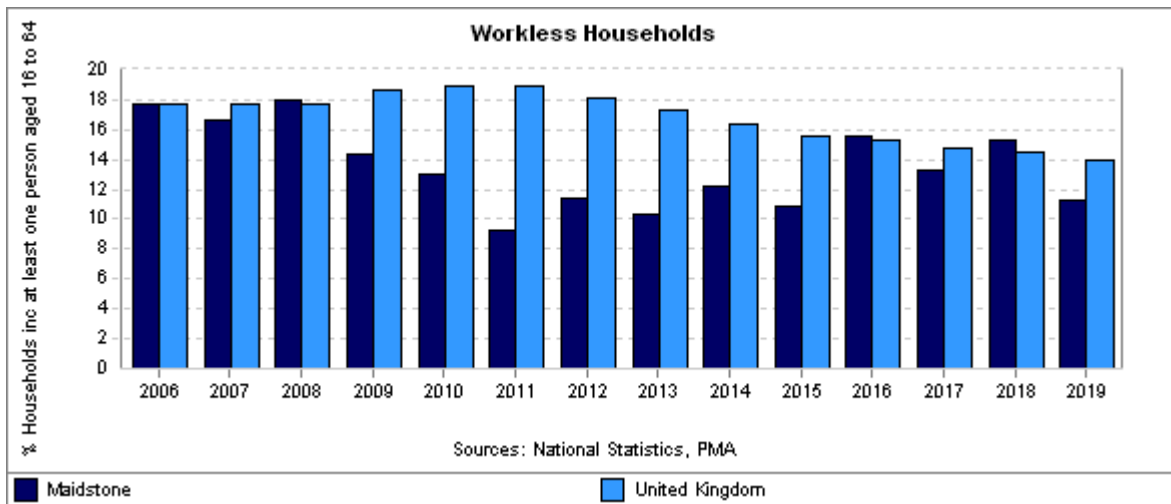
## Local economy

- A weak consumer economy born out of the response to the COVID-19 pandemic has caused widespread disruption to employment across the UK. Government-led measures put in place to mitigate the effects on employment (such as the furlough scheme and support for the self-employed) have been successful in preventing any further increase to unemployment, as many businesses have proved more resilient to subsequent restrictions following the initial national lockdown in spring 2020. Job losses have been concentrated in those areas most impacted by government restrictions, most notably retail, hospitality and tourism. Whilst the unemployment rate may be subject to a slight increase as the furlough scheme is wound down by September 2021 due to ongoing structural weakness in these sectors, any major step increase would be tied to a major deterioration of circumstances related to the COVID-19 pandemic. The pre-COVID-19 local employment structure and variation by sector are detailed below.
- Maidstone has good road links to London and the rest of the South East. In addition, there is a frequent, fast rail service to London. The M20 skirts the northern edge of the town, providing access to the M25; to the south-east, the M20 runs to Ashford (with its Eurostar terminus) and the Channel ports of Dover and Folkestone.
- Commuters hoping to benefit from new and frequent train services into London from Maidstone East will have to wait longer than originally anticipated, following further delays to the Thameslink Services.
- Although the Channel Tunnel Rail Link (CTRL) does not stop at Maidstone, the two international stations at Ashford and Ebbsfleet, to the south-east and north-west of Maidstone respectively, are expected to be catalysts for substantial residential and commercial development in the county.
- Traffic congestion is a problem in Maidstone town centre, particularly at peak times. In an effort to encourage shoppers and commuters to refrain from bringing cars into town, the Council operates two Park and Ride facilities, to the north and north-west of the town.
- Employment in private sector services accounts for 53% of total employment in Maidstone, slightly below the Retail PROMIS average; specifically, professional & business services and finance sectors together account for a below average 9.6% of total employment, while retailing and leisure account for 22.8% of total employment, around the Retail PROMIS average. The public sector accounts for 21.4% of total employment in Maidstone, slightly above the Retail PROMIS average.
- Kings Hill Business Park, near junction 4 of the M20, is one of the main employment locations within the Maidstone area, with around 200 businesses, employing some 5,000 people. The park is home to several key employers, notably Jupiter Unit Trust Managers and Cabot Financial. The UK head office of Kimberley Clark is also located here. New companies continued to be attracted to Kings Hill during 2018/19. IT Company, Focus Group centralised its regional operations at Kings Hill, whilst Bovis Homes moved its regional headquarters to the business park from the Sevenoaks area.
- Maidstone's local economy is dominated by services, reflecting the town's role as the administrative centre for Kent; major public sector employers include the Borough and County Councils, HM Prison Services and the Inland Revenue. In addition, Kent Police Headquarters is based in the town.
- The completion of a new hospital at Kent Medical Campus in 2018 brought 150 new jobs to this sector. The Campus, located at Junction 7 of the M20, will also be home to an Innovation Centre, due to open by 2021. This will provide flexible office space, facilities and business support for small and medium-sized enterprises working in the life science, healthcare and med-tech sectors and could support up to 270 jobs. In addition, a new care home at the site will provide a further 100 jobs when it opens.
- The government's decision to close non-essential retail and leisure outlets for much of 2020 and early 2021 impacted a wide range of formats, from leisure to fashion retailers and department stores. Although many stores have reopened, continued social distancing requirements prevail, alongside changing consumer behaviour with the rapid acceleration of online since the start of the COVID-19 pandemic. These conditions have placed downward pressure on sales for many non-food retailers. Many retailers have fallen into administration, whilst those already seeking to consolidate store portfolios prior to the pandemic have been bringing permanent store closures forward, impacting overall levels of retail employment.
- Over 100 jobs have been provided in Retailing as Marks & Spencer opened a new 84,000 sq ft store at Eclipse Park in August 2020.
- The manufacturing sector in Maidstone accounts for 5% of total employment, slightly below the Retail PROMIS average.
- Maidstone has few non-office based employers of significance. Magna Interior Systems and Sangers Pharmaceuticals are amongst the largest manufacturers in the town.

# Maidstone Retail Report

- Employment in the primary sector is above average in Maidstone, reflecting the town's location within the 'Garden of England' - agriculture is an important source of employment within the rural parts of the county.
- Just outside the Maidstone area, some half an hour's drive north on the Isle of Sheppey, a 600,000 sq ft regional distribution centre for Aldi opened in spring 2019. The development, at Neats Court, brought some 400 jobs to the area.
- In April 2021 the local claimant count was 5.2% of the population aged 16-64, compared to the national claimant count at April 2021 of 6.3%.





**The Primary Retail Market Area - population, households and spending**

	Centre	PMA Centre Type Average	Retail PROMIS average	Retail PROMIS rank
	Maidstone	Sub Regional Resilient Town	200 centres	Rank out of 200, 1=best
<b>Primary Retail Market Area</b>				
Population 2020 (000s)	279	179	239	52
Population 2025 (000s)	292	183	244	47
Households 2020 (000s)	113	74	100	52
Average household size 2020	2.5	2.4	2.4	
Consumer base 2020 (000s)	204	156	175	48
<b>Growth in population</b>				
Population growth 2015-2020 (% pa)	1.05	0.59	0.55	17
Projected population growth, 2020-2025 (% pa)	0.86	0.44	0.41	16
<b>Spending potential</b>				
Total retail expenditure, 2020 (£m)	1,725	1,054	1,340	40
Per capita total retail expenditure, £2020	6,174	5,950	5,673	27
Forecast growth in retail expenditure, 2020-2025 (%pa real)	3.5	3.1	2.7	32
% online expenditure	30.7	30.5	29.7	44
<b>Social structure 2011 (% of adult population)</b>				
AB (most affluent)	24	26	21	
C1	34	32	31	
C2	23	21	21	
DE (least affluent)	20	22	26	
<b>Car ownership 2011 (% of households)</b>				
1 car	41	43	43	
2+ cars	45	38	32	
<b>Home ownership 2011 (% of households)</b>				
Owner occupiers	73	68	65	12
<b>PMA Affluence Indicator Rank 2001</b>				<b>26</b>
<b>PMA Affluence Indicator Rank 2011</b>				<b>35</b>
<b>PMA Affluence Indicator Rank latest</b>				<b>39</b>

Sources: 2011 Census Crown Copyright, © CACI, © PMA Forecasts Spring 2021. All rights reserved.

<b>Key Economic Indicators (District based)</b>				
	<b>District</b>	<b>PMA Centre Type Average</b>	<b>Retail PROMIS average</b>	<b>Retail PROMIS rank</b>
	<b>Maidstone</b>	<b>Sub Regional Resilient Town</b>	<b>200 centres</b>	<b>Rank out of 200, 1=best</b>
<b>Housing indicators</b>				
Average house prices 2020 Q4 (£)	342,100	385,800	294,900	60
Change in average house prices 2019 Q4 - 2020 Q4 (% pa)	5.6	7.1	7.1	126
2020 Q4 Transactions as % peak	67	60	59	
House prices 2020 Q4 as % peak	132	143	135	
<b>Quality of labour force</b>			<b>GB Average</b>	
Managerial office based Dec 2019 (% of employment)	40	34	33	
Routine office based Dec 2019 (% of employment)	23	25	24	
Non-office based Dec 2019 (% of employment)	37	41	43	
<b>Average gross weekly wages</b>			<b>GB Average</b>	
Total Average earnings (Gross weekly wages £2020)	606	616	573	49
<b>Unemployment</b>			<b>GB Average</b>	
Claimants as % population aged 16-64 April 2021	5.2	5.4	6.3	66
Unemployment annual change to April 2021 (%)	1.1	1.3	1.2	108
Economic Activity rate Dec 2019 (% working age pop.)	84	81	79	32
Workless Households 2019 (%)	11.3	10.9	14.0	66
<b>University Students</b>			<b>200 Centres</b>	
No of full time students 2017-18	0	5,300	9,600	

Sources: Land Registry (Eng & Wales), GROS (Scotland), National Statistics, Labour Force Survey, Annual Survey of Hours and Earnings, Higher Education Authority, PMA

## Town Centre Retail Provision

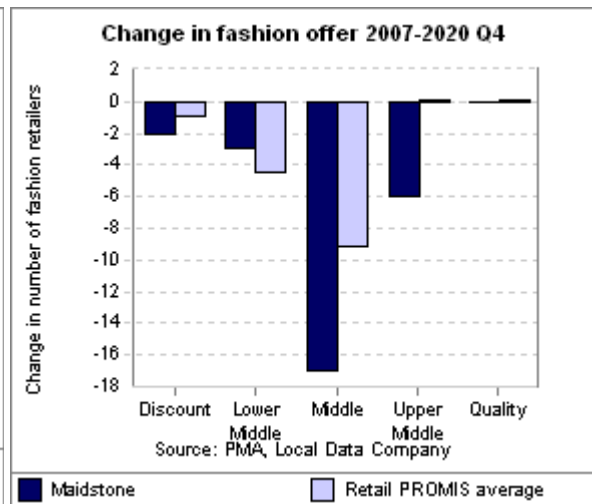
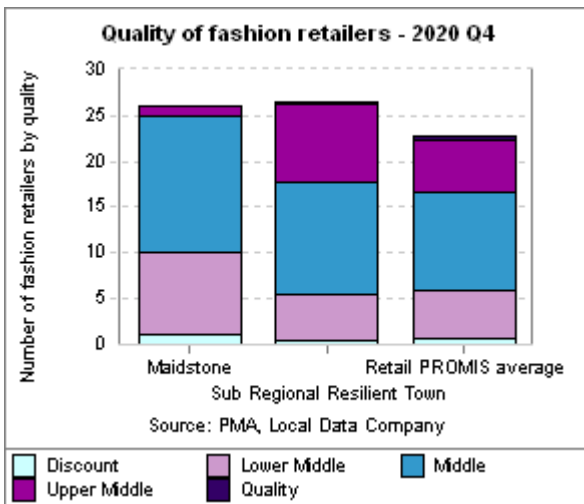
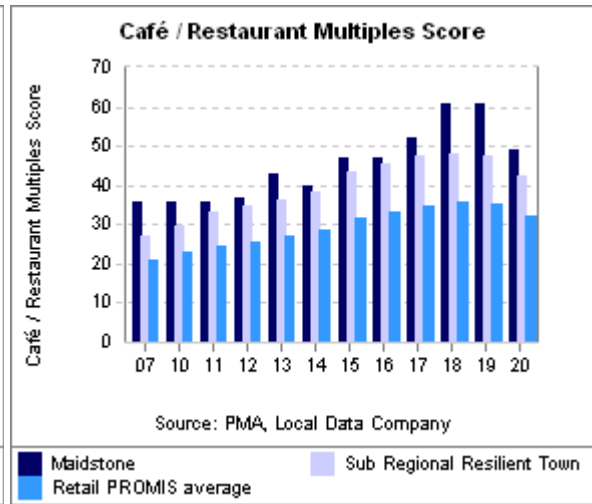
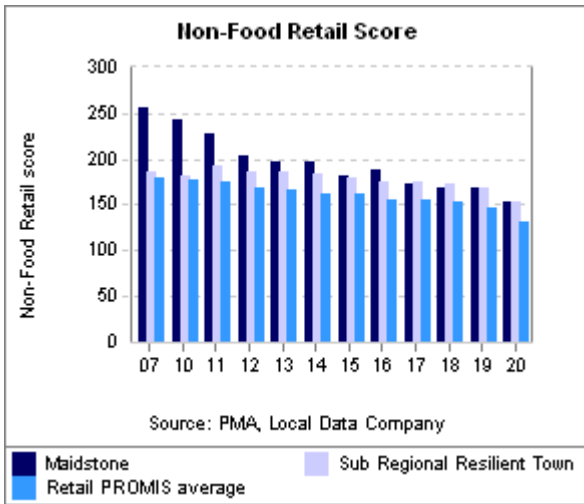
### Town Ranking

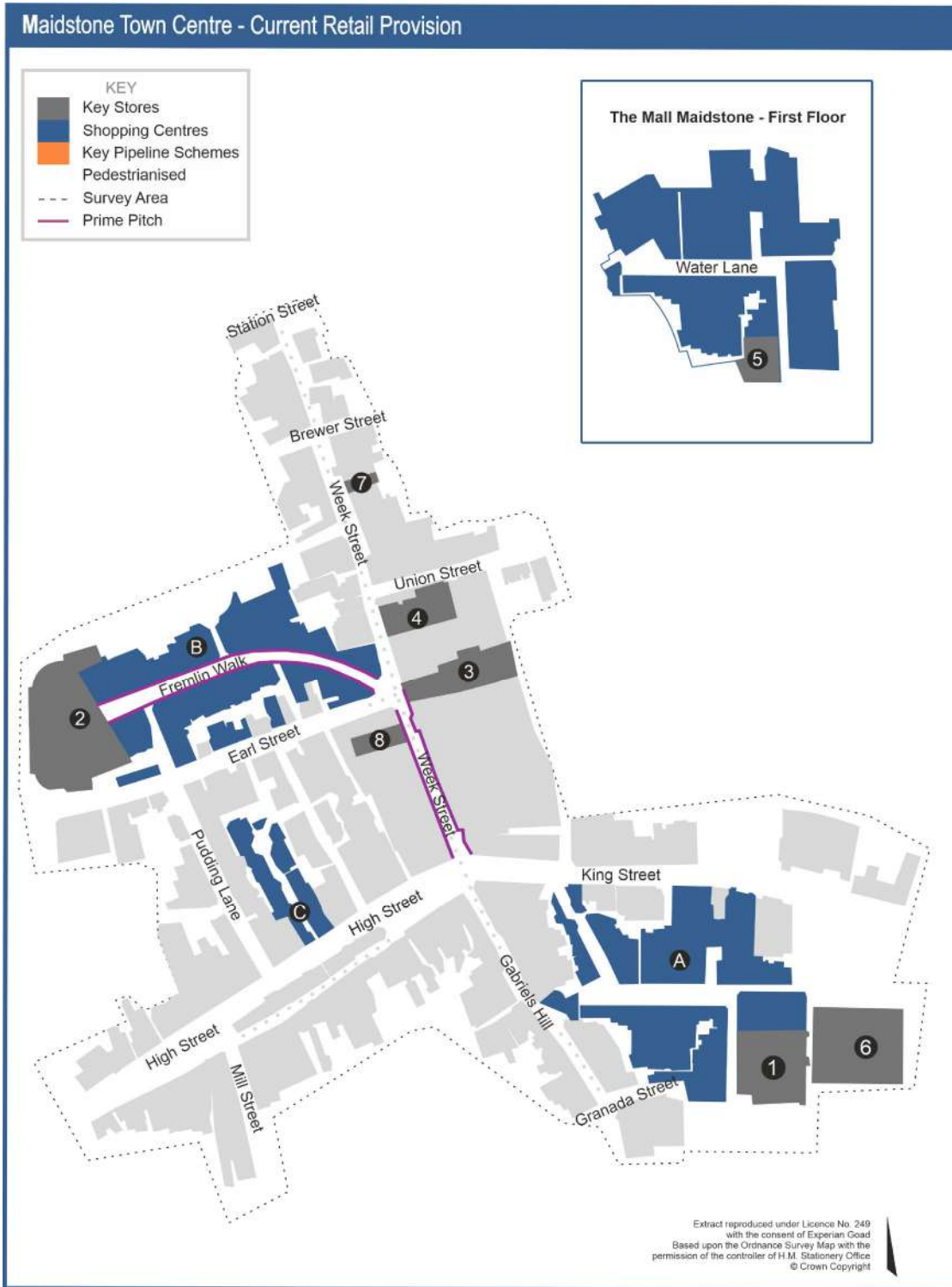
- In the context of a widespread and unprecedented response to the COVID-19 pandemic, all non-essential retail, catering and leisure outlets were closed across the UK in March 2020, and, after a period of re-opening in summer 2020, closures were implemented once again from November 2020, extending into 2021. The following commentary provides details of the situation at end-2020. We expect to see further change during 2021, especially once all retail, catering and leisure is able to reopen (currently expected to be during April and May) and as the impacts of further largescale store closures from the likes of Debenhams and Arcadia Group are realised. The next update will be at mid-2021.
- Town centre retail floorspace in Maidstone is estimated at 1.52 million sq ft, above the Sub Regional Resilient Town average and ranking the town 31 of the PROMIS Centres on this measure.
- On average, the PMA Non-Food Retail Score fell by 9.3% between 2019 Q4 and 2020 Q4 across the PROMIS 200 centres. Maidstone saw a change to its Non-Food Retail Score that was comparable with the average over that period. At 2020 Q4, Maidstone ranked 50th on the basis of its PMA Non-Food Retail Score and 55th on the PMA Fashion Score; the town ranked 38th on the PMA Anchor Score. Maidstone has broadly the expected volume and quality of retail provision, given the size and affluence of the shopping population.
- Retail provision in Maidstone town centre is dominated by Fremlin Walk and The Mall Maidstone. Despite the former opening in 2005, the town's overall Non-Food Retail Score has declined steadily since 2007, and remained in line with the Sub Regional Resilient Town average at end-2020.
- Maidstone's fashion offer is heavily skewed towards middle market fashion, with below average representation in the upper middle segment and a distinct lack of quality retailers. The representation of both middle and upper middle fashion retailers in the town has fallen markedly since 2007.
- Upmarket fashion is largely confined to concessions within House of Fraser in Fremlin Walk. At the other end of the spectrum, Maidstone's other department store, TJ Hughes, offers discount fashion from its store in The Mall Maidstone. Marks & Spencer also have a store on Week Street.
- Maidstone's Café/Restaurant Score has risen above both the PROMIS average and the average for Sub Regional Resilient Towns in recent years. Despite the town seeing a sharp drop in score between end-2019 and end-2020, it still sits above both the PROMIS and Sub Regional Resilient Town averages on this measure. National chains such as Bill's, Zizzi, Five Guys, Prezzo and Wagamama are all represented; this provision is supplemented by independents of varying quality.

Retail provision				
	Centre		PMA Centre Type Average	Retail PROMIS Rank
	Maidstone		Sub Regional Resilient Town	Rank out of 200, 1=best
	000s sqft	000s sqm	000s sqft	
Total Floorspace 2020	1,520	141	1,000	31
No. of managed shopping centres	3		2	
Extent of prime frontage	58		14	
Number of non-food multiples - 2020 Q4	100		90	42
Number of food multiples - 2020 Q4	4		3	30
Number of café / restaurant multiples - 2020 Q4	27		23	42
<b>PMA Town Centre Retail Scores - 2020 Q4</b>				
Total Town Centre score	208		200	48
Non-Food Retail score	154		153	50
Anchor stores score	24		18	38
Fashion score	76		82	55
Other non-food score	54		53	49
Café / Restaurant score	49		43	40
Food stores score	5		4	37
<b>PMA indicator of supply:demand balance (200 PROMIS Centres Average=100)</b>	95		128	88

Sources: PMA, Local Data Company

Last update: 28/04/2021





<b>Retail provision - key stores (2020 Q4)</b>				
<b>Dept/Var Stores</b>	<b>Key Fashion Multiples</b>	<b>Key Non Fashion Multiples</b>	<b>Food Stores</b>	<b>Key Café / Restaurant Stores</b>
Map Fascia Ref	Map Fascia Ref	Map Fascia Ref	Map Fascia Ref	Map Fascia Ref
1 T J Hughes	Clarks	3 Store	5 Iceland	Bill's
2 House of Fraser	Deichmann Shoes	Argos	6 Sainsbury's	Burger King
3 Marks & Spencer	Dorothy Perkins	Beaverbrooks	7 Tesco-Express	Caffe Nero
4 Primark	Fat Face	Body Shop, The	8 Co-Op	Costa
	H&M	Boots		Five Guys
	J D Sports	Card Factory		Greggs
	Matalan	EE		Kfc
	New Look	Entertainer, The		McDonald's
	Next	Flying Tiger		Nando's
	Office	Fragrance Shop, The		Patisserie Valerie
	River Island	Holland & Barrett		Pret A Manger
	Roman Originals	Hotel Chocolat		Prezzo
	Schuh	Lush		Starbucks Coffee
	Shoe Zone	Mountain Warehouse		Wagamama
	Sportsdirect.com	O2 Phones		Zizzi
	Superdry	Pandora		
	Topshop/Topman	Paperchase		
	Yours	Perfume Shop, The		
	Zara	Poundland		
		Superdrug		
		Vodafone		
		Warren James		
		Waterstones		
		WH Smith		
		Wilko		

Sources: PMA, Local Data Company

Last update: 02/06/2021

**Shopping centres (2020 Q4)**

Map Ref	Centre	Size (000s sqft gross)	Retail Score	% of TC Retail Score	Café & Restaurant Score	% of TC Café & Restaurant Score	PMA Top 100 Shopping Centre Rank	Open date	Refurb/extension	Owner
A	The Mall Maidstone	577	45	29	8	16		1976	Redevelopment Planned Major Refurb 2016 Extension 2008 Major Refurb 1997 Refurbishment 1989	Capital & Regional, The Mall LP (Capital & Regional/Morley FM)
B	Fremelin Walk	350	61	40	14	29	98	2005	Redevelopment Planned	M&G Real Estate
C	Royal Star Arcade	46	1	1	0	0		1987		Private Austrian Investor

Source: PMA, Local Data Company

Last update: 28/04/2021

PMA Top 100 Shopping Centre Rank: Rank based on combined Retail and Café / Restaurant Score

**Shopping centres**

- The 350,000 sq ft Fremelin Walk shopping centre is a single level, open-air scheme anchored by a 100,000 sq ft House of Fraser department store and incorporating around 50 unit shops. There are a good mix of fashion retailers in the centre, including Zara, H&M, FatFace and River Island, as well as a number of specialist retailers such as Hotel Chocolat, Waterstones and Build a Bear. Food & beverage operators include Bill's, Five Guys, Costa and Pret A Manger.
- The Mall Maidstone is located on the southern side of King Street, a short walk from the core shopping area of Week Street. The main entrance to this three-level centre is off King Street, leading to Dukes Mall. There is also a first floor level (bus station level), incorporating Water Lane Mall. The small, lower ground level of the centre has direct access onto Gabriel's Hill, a pedestrianised secondary pitch, and is largely occupied by Wilko.
- Key tenants within The Mall Maidstone include TJ Hughes, Wilko, Superdrug, Next and Sports Direct. There are also a handful of retailers at the value end of the market such as Bonmarche.
- Maidstone's third managed centre is Royal Star Arcade, located on the north side of High Street. Built in 1987, this attractive covered mall is accessed from both High Street and the pedestrianised Corn Exchange, but is somewhat off the beaten track in terms of pedestrian flows. Although the arcade does not have a key anchor store, it is home to several quality independent retailers and several cafes.

**Prime pitch**

- Maidstone's prime pitch has historically comprised the southern end of pedestrianised Week Street, from its junction with Earl Street to its junction with High Street/ King Street. Many of the town's major multiples and variety stores are located here, including Marks & Spencer and WH Smith.
- Prime also extends from Week Street to include most of the main thoroughfare of Fremelin Walk, almost as far as House of Fraser. Key tenants on this section include Zara, River Island, H&M and Boots. For the purposes of this report, we consider both locations to be prime, although there is some debate amongst market commentators as to whether prime is now solely located within Fremelin Walk.

**Other retail areas**

- Beyond the prime pitch, Week Street extends northwards towards Maidstone East railway station and is pedestrianised as far as the junction with Station Road. Several multiples are located on the stretch between Earl Street and Station Road including Primark, Superdrug and Tesco Express. This part of Week Street becomes increasingly secondary moving northwards towards the railway station. The environment is generally rundown, with many of the units occupied by charity shops and services; several attractive independent cafes have attempted to trade here in recent years, although not all have been successful.
- To the south of prime are High Street and King Street, neither of which are pedestrianised, although both have benefitted in recent years from major environmental improvements, including wider pavements and new paving. There are few key multiples in either of these locations, apart from Argos on High Street and Lush and Claire's on King Street.
-

On the northern side of High Street is Corn Exchange/Market Buildings, a pedestrianised area of mainly small units occupied by independent specialist retailers and cafes. Like Royal Star Arcade, these shops are somewhat off the beaten track.

- Gabriel's Hill stretches southwards from the junction with High Street/ King Street. This pedestrianised secondary pitch is home to a mix of services, independent retailers and charity shops. The Mall Maidstone has an entrance on the eastern side of the street, allowing direct access into the lower level of the centre.
- Additional secondary shopping is found on Pudding Lane, Earl Street and Bank Street, a short pedestrianised thoroughfare running parallel to the High Street. Restaurants are particularly prevalent on Earl Street and Bank Street. Earl Street is favoured by national chains such as Café Rouge, Zizzi, Pizza Express, Prezzo, Wildwood, Wagamama, Cote, Five Guys, Nando's and ASK. Bank Street is home to smaller independent outlets.
- Just outside our audit area, at Lockmeadow, there is a covered market and a leisure complex with operators such as Odeon Cinema, Hollywood Bowl, David Lloyd and Gravity Trampolining as well as a couple of food & beverage operators.
- On the edge of the town centre, just across the River Medway, is The Broadway Centre, a small covered scheme anchored by Lidl. Nearby at St Peter's Street, TK Maxx, Hobbycraft and Asda Living have stores. Wickes and The Range are also located in this area. These stores are not included in PMA's Non Food Retail Score for the town centre - they are too distant from the main retail core.

**Convenience provision**

- Maidstone town centre has a reasonable level of convenience provision. Sainsbury's is located at Romney Place, next to The Mall Maidstone. There is also an Iceland supermarket within The Mall Maidstone, and Tesco Express and Co-op on Week Street. In addition, several independent convenience stores trade within our audit area.
- Immediately to the west of the central area, Lidl has a store at The Broadway Centre.

**Future change in TC supply**

- Given that the response to the COVID-19 pandemic required the halting of many non-essential construction projects, and in the light of the current negative sentiment towards the wider retail sector, we expect delays to some active retail and leisure developments and even the cancellation of others as the focus shifts towards re-purposing of the retail for other uses.
- Several years ago, the owners of The Mall Maidstone prepared a Masterplan for the redevelopment of the shopping centre and surrounding area, with some 300,000 sq ft of new floorspace envisaged. A new department store and supermarket, plus an area for dining/leisure was included in this plan, along with a new bus interchange for the town. This scheme did not progress and, at present, the only change planned for the centre is the creation of a food court on the Water Lane level through the reconfiguration of several existing units.
- On a much smaller scale, consent exists for the combination of four units in Fremlin Walk for a single occupier. However, we understand that there are no plans to implement this consent in the near future.

Key schemes in pipeline - Town centre						
Scheme	Developer	Total flsp 000s sqft gross	Net add retail flsp 000s sqft gross	Stage	Type	Comments
The Mall Maidstone	Capital & Regional	506		FPPG	SC	Change of use of existing units on 2nd floor to provide food court
Fremlin Walk, Units 39-45	M&G Real Estate	350		FPPG (on hold)	SC	Amalgamation of four units to provide single store.
The Mall Maidstone	Capital & Regional	800	300	Pre-appl	SC	Major refurb and extension of shopping centre to incl. new depart. store, retail and leisure; no progress on application

Sources: Local Authority, PMA, Egi

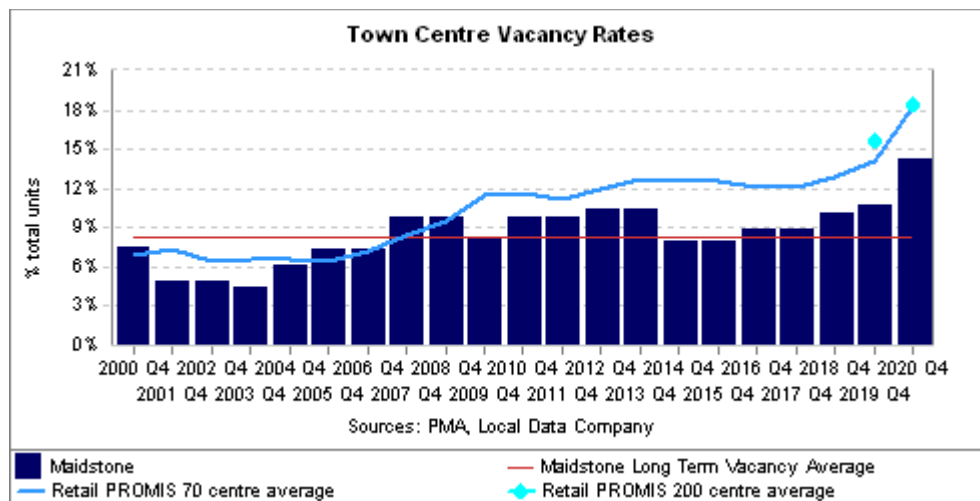
Last update: 21/06/2021

Type: SC = Shopping centre, SUP = Superstore/market, UNI = Unit shop, SPK = Shopping Park, RP = Retail park, RPS = Retail Park/Superstore/market, RW = Retail warehouse, LEI/LPK = Leisure unit/park, Appl = Application submitted, OPPG = Outline planning permission granted, FPPG = Full planning permission granted, U/C = Under construction

## Town Centre Market Conditions

### Vacancies, in-movers and closures

- At 2020 Q4 the retail PROMIS 200 centre average vacancy rate was 18.5% of town centre units, reflecting a particularly marked increase since 2019 as a result of corporate failures and store rationalisation programmes amongst both retailers and food & beverage operators. While this increase was, at least in part, the direct result of the COVID-19 pandemic, vacancy rates across many UK high streets and shopping centres have been high and rising for some time as a consequence of the diversion of sales to online and competition from out of town retail centres. Any closures since the start of 2021 are not reflected in this latest figure; the next update will be at mid-2021.
- Retailers that have fallen into administration or announced plans for permanent store closures or store rationalisation programmes since the start of the COVID-19 crisis in March 2020 include Debenhams, Arcadia, Edinburgh Woollen Mill Group, Laura Ashley, Oasis, Warehouse, Cath Kidston, TM Lewin, Ann Summers, Office Shoes, Clarks, Quiz and Monsoon. A number of food & beverage operators are also reportedly in financial distress, with some, such as The Restaurant Group and Pizza Express, announcing widespread closures.
- Maidstone's Non-Food Retail Score has remained relatively stable over the past few years, following a marked decline between 2007 and 2012. At end-2020, Maidstone ranked 50th of the 200 PROMIS Centres on this measure, compared to a rank of 49th at end-2019.
- Although located in the heart of the Home Counties, Maidstone draws shoppers from parts of north Kent, a less prosperous area than the rest of rural Kent to the south and east of the town. Maidstone's strong value/ mainstream offer, particularly for fashion, may be more appealing to many shoppers from the north of the county than the more upmarket and exclusive shopping found in Tunbridge Wells and Bluewater.
- At 2020 Q4 the vacancy rate in Maidstone town centre stood at 14.2% of units, well below the retail PROMIS 200 centre average and a marked increase on the level recorded at 2019 Q4. The net balance of take-up (in-movers minus out-movers) between 2019 Q4 and 2020 Q4 was -2.1% of units, comparable with the retail PROMIS average.
- There has not been a great deal of letting activity in Maidstone during 2020. The number of vacant units on prime Fremlin Walk at end-2020 had increased to 5, following the closure of Smiggle, Ernest Jones, Goldsmiths, Oasis and DW Sports . Meanwhile, there were 3 vacancies on prime Week Street following the closure of both Monsoon and Carphone Warehouse, and the opening of an independent retailer, The Value Store.
- Elsewhere in Fremlin Walk, Laura Ashley, Pizza Express and Cafe Rouge closed. At the Mall Maidstone, the only notable in-mover during 2020 was Matalan, while Pizza Hut closed.
- Across the rest of the town centre during 2020, notable closures included Monsoon, Ask and Cote.
- Marks and Spencer consolidated their two stores on Week Street into one during 2019. This is thought to be in light of a new out of town store at Eclipse Park which opened in 2020. The future of Maidstone's House of Fraser store appears, for now, to be secure, with new terms agreed in 2018.



### Key in-movers and out-movers (2020 Q4)

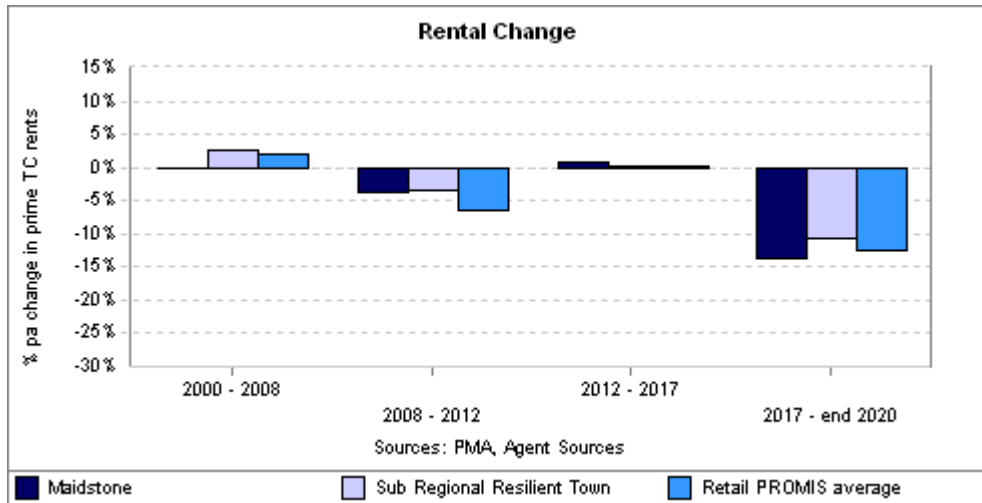
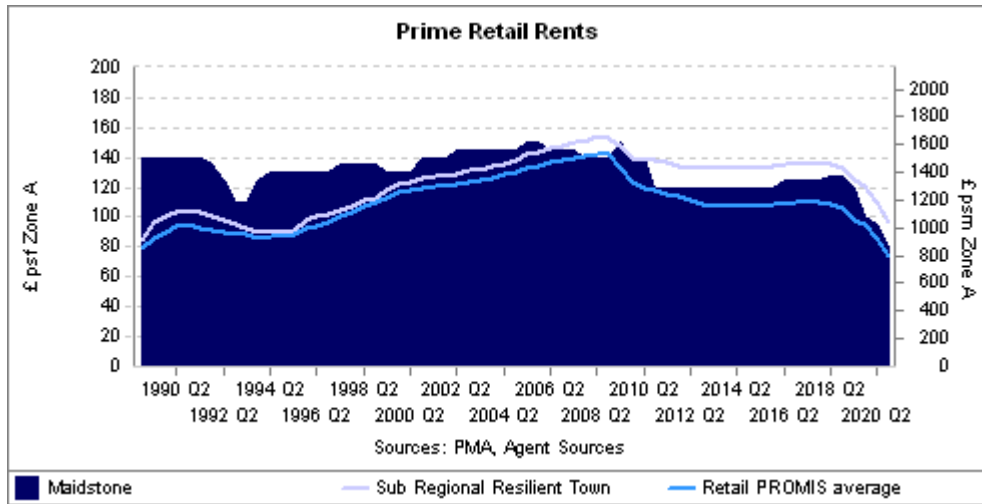
Location	Key in-movers	
The Mall Maidstone	Matalan	
Rest of town /city centre	German Doner Kebab	
Location	Key out-movers	
Fremlin Walk	Cafe Rouge	
	DW Sports	
	Ernest Jones	
	Goldsmiths	
	Laura Ashley	
	Oasis	
	Pizza Express	
	Smiggle	
	The Mall Maidstone	Optical Express
		Pizza Hut
Rest of town /city centre	Virgin Media	
	Ask	
	Carphone Warehouse	
	Cote Restaurants	
	Monsoon	

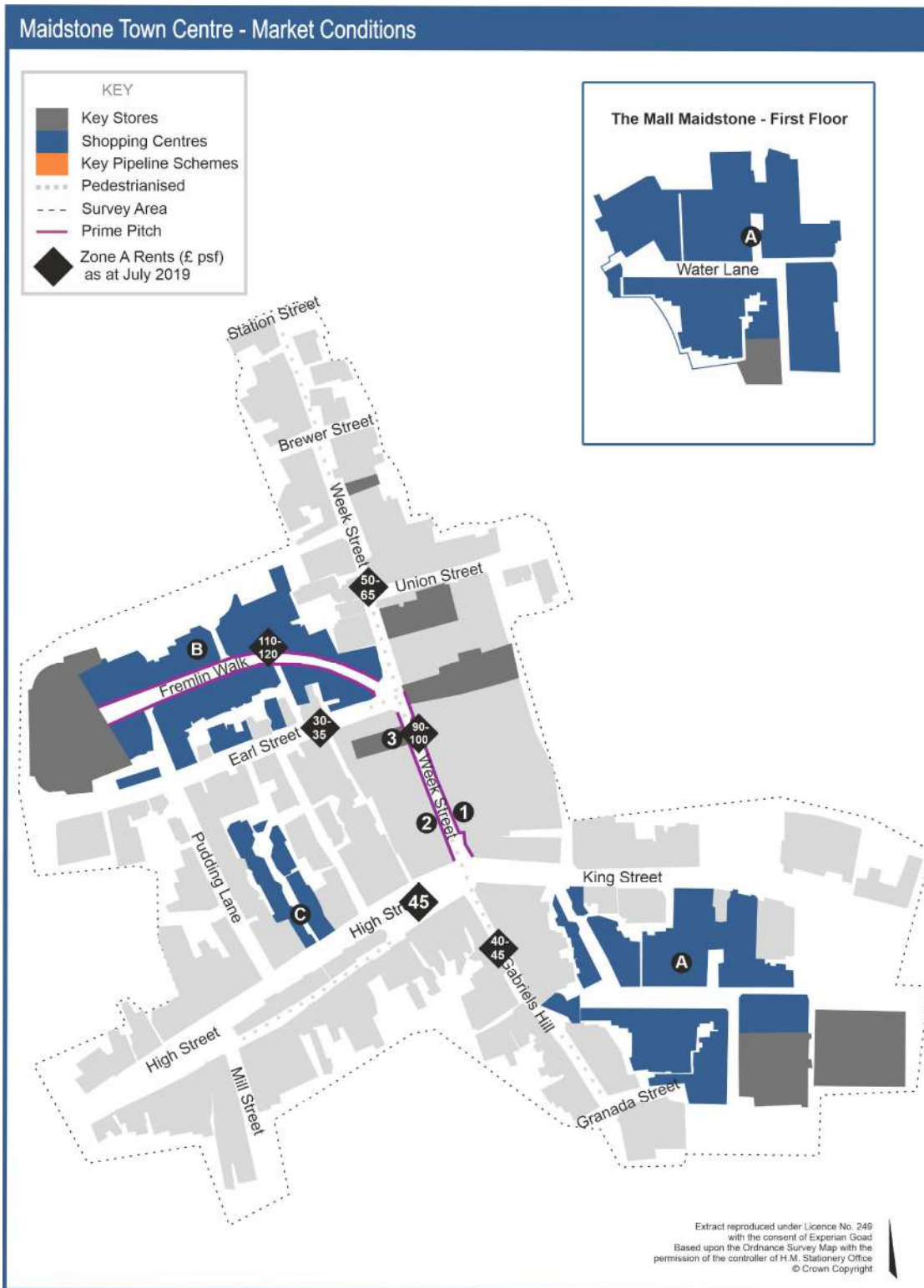
Sources: PMA, Local Data Company

Last update: 08/04/2021

**Town centre rents**

- Although prime rental growth in Maidstone has, in the main, been weak, prime Zone A rents appear to have been relatively stable and do not seem to have experienced some of the more dramatic changes seen in other PROMIS Centres. Zone A rents peaked at between £140-£150 psf prior to the financial crisis, before falling to £120 psf in 2010 and stabilising until 2015, when they increased again slightly to £125 psf before falling once again more recently.
- Top achievable prime retail rents across the majority of UK towns and cities have been marked down significantly in recent years. Initially this reflected the wider malaise impacting the UK retail sector as a consequence of both the diversion of retail sales to online and the combined impact of rising costs and the pressure to discount on retailer profitability. The unprecedented response to the COVID-19 pandemic has accelerated those structural changes and this has had a particularly acute impact on those retailers that have been unable to divert sales to online, as well as those burdened with legacy store portfolios and an unsustainable level of debt. This is clearly evident in the scale of store closures resulting from corporate failure, CVAs and rationalisation programmes that are severely impacting the retail and leisure sectors.
- At end 2019 prime retail rents across the top 200 UK towns and cities were, on average, already 13.5% below levels reported at end-2017. Despite the dearth of open market evidence, and based on the views of local and national agents, PMA estimate that prime town centre Zone A rents across the top 200 towns were, on average, marked down by a further 22% to end 2020. In practice, however, the town centre retail market remains characterised by very weak occupier demand and ongoing rent renegotiations as occupiers seek to reduce their occupational costs, in some cases resulting in turnover related deals. We would anticipate further rental decline during 2021, given ongoing COVID-19 restrictions, further diversion to online and the apparent weakness of occupier demand, and it is likely to remain difficult to obtain deal evidence of rental tones.
- Our estimates, based on agent sources, suggest that top achievable prime rents in Maidstone were around £80 psf Zone A at end 2020; this implies a cumulative decline in prime rents since end 2017 of -36%, compared with the PROMIS average rate of decline of -32.7%.
- This latest estimate shows a fall on the view of agents at mid-2019, when prime rents in Fremlin Walk were estimated at £110-£120 psf Zone A. Details of individual lettings in the scheme remain confidential.
- Agents suggested that rents on prime Week Street in mid-2019 stood at £90-£100 psf Zone A. The most recent letting, of which we were aware, was to independent vaping firm, ECig Wizard, who took a small unit at £91.50 psf Zone A, close to the junction with High Street/Colman Parade in May 2019.
- Recent Zone A rents have been unavailable for The Mall Maidstone, although they are expected to be much lower than the £90 psf Zone A quoted in early 2018.
- Colman Parade, just opposite the entrance to The Mall Maidstone, is considered to be the best pitch beyond prime, achieving around £100 psf Zone A in mid-2019, although this is likely to have fallen somewhat since. Elsewhere rents are much lower and again are most likely to have fallen subsequently since these mid-2019 estimates: £50-£65 psf Zone A on non-prime Week Street; £40-£45 psf on Gabriels Hill; £45 psf Zone on High Street, and £30-£35 psf Zone A on Earl Street, which is predominantly restaurants.





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**Shopping Centre Key Indicators**

Map ref	Location	Vacancy (%) 2020 Q4	Rent (£psf ZA) Dec 2020	Rent % of Maidstone's top rent Dec 2020
B	Fremlin Walk	22.6	80	100
A	The Mall Maidstone	12.9	n/a	n/a
C	Royal Star Arcade	12.0	n/a	n/a

Sources: PMA, Local Data Company, Local & National agents

Last update: 28/04/2021

**Retail property transactions - prime pitch**

Map Ref	Address	In-mover/tenant	Size sqft	Rent	Event	Notes	Date
1	22, Week Street	Independent	722	£40K pa, £91.5 ZA	Let	Ecig Wizard. £91.50 psf Zone A	Q2 19
2	11, Week Street	Mountain Warehouse	3,650	£120K pa, £112 ZA	Renewal	Lease renewal at £112 psf ZA. 1 year rent-free. Previous rent c.£126 psf ZA	Q4 18
3	31-33, Week Street	Co-op (Food)	3,697	£115K pa, £89 ZA	Let	15 year lease. £89 psf Zone A headline. 12 months rent-free	Q3 18
	28, Week Street	Trespass	2,584	£70K pa, £107 ZA	Let	10 year lease. £107 psf ZA	Q1 18

Sources: PMA, Local &amp; National agents, Egi

Last update: 21/04/2021

New deals are shown in blue

**Retail property transactions - other town centre**

Map Ref	Address	In-mover/tenant	Size sqft	Rent	Event	Notes	Date
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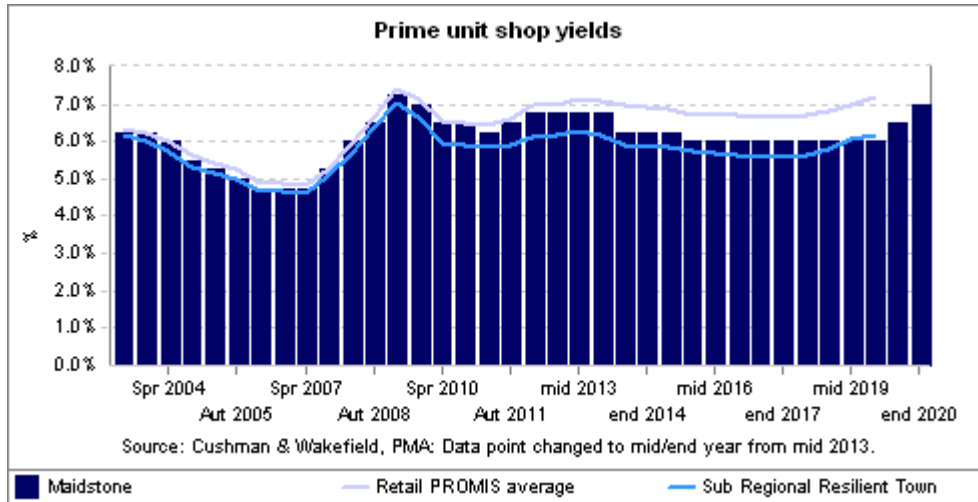
None reported

Sources: PMA, Local &amp; National agents, Egi

New deals are shown in blue

**Investment market**

- Given the dearth of investment transactional evidence we are unable to report on the level of prime retail unit shop yields at end-2020 in all locations; generally, our agent sources suggest that prime unit shop yields moved out by around 100 basis points between end-2019 and end-2020, although there are anecdotal reports of more extreme outward yield movement in these unprecedented circumstances.
- Details of recent town centre investment transactions in Maidstone, where available, are detailed in the table below.



**Key town / city centre retail investments**

Address	Purchaser	Size sqft	Value £m	Initial Yield %	Notes	Date
36/36A Week Street	UNKNOWN	5,909	1.22	7.26	Occupier: EE	Feb 2020
52-56 Week Street & 48-49 Church Street	Private UK Investor	35,734	3.725	8	Occupiers: Poundland & Deichmann Shoes	Jan 2020
11-15 Week Street	Private UK Investor	31,870	2	16.4	Tenants: Mountain Warehouse & Game	Nov 2019
53 Week Street	UNKNOWN	516	1.38	6.5	Tenant: Halifax Bank	Aug 2019

Sources: PMA, Local & National agents, Egi

Last update: 21/04/2021

<b>Market conditions - key indicators</b>			
	<b>Centre</b>	<b>PMA Centre Type Average</b>	<b>Retail PROMIS rank</b>
	<b>Maidstone</b>	<b>Sub Regional Resilient Town</b>	<b>Rank out of 200, 1=best</b>
Vacant units - prime 2020 Q4 (%)	13.8	16.0	
Vacant units - prime 2019 Q4 (%)	3.4	8.1	
Vacant units - Town centre 2020 Q4 (%)	14.2	15.0	45
Vacant units - Town centre 2019 Q4 (%)	10.6	11.6	39
Net balance of Take-Up 2019 Q4 - 2020 Q4 (in-movers minus out-movers)(%)	-2.1	-3.1	84
Prime rents end 2020 (£psf Zone A)	80	97	58
Change end 2000-end 2008 (%pa)	0.0	2.5	
Change end 2008-end 2012 (%pa)	-3.8	-3.3	39
Change end 2012-end 2017 (%pa)	0.8	0.3	54
Change end 2017-end 2020 (%pa)	-13.8	-10.7	126
Prime TC Yields end 2020 (%)	7.0	n/a	n/a
Yield shift mid 2020-end 2020 (% points)	0.50	n/a	
Yield shift end 2017-end 2020 (% points)	1.00	n/a	

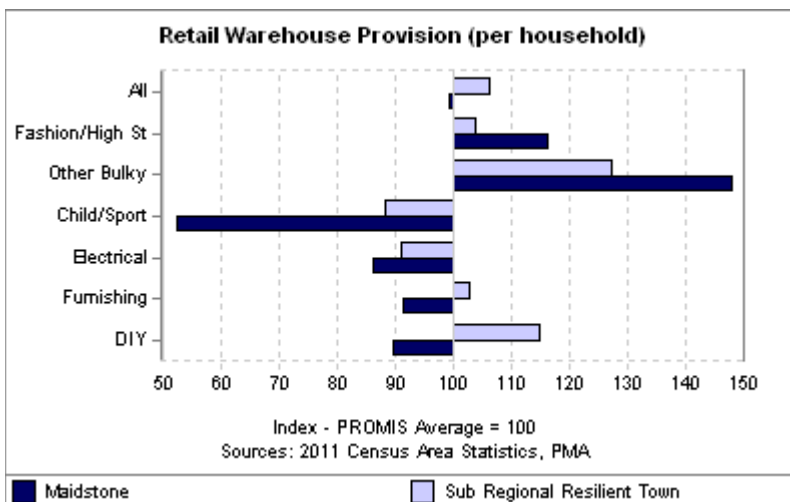
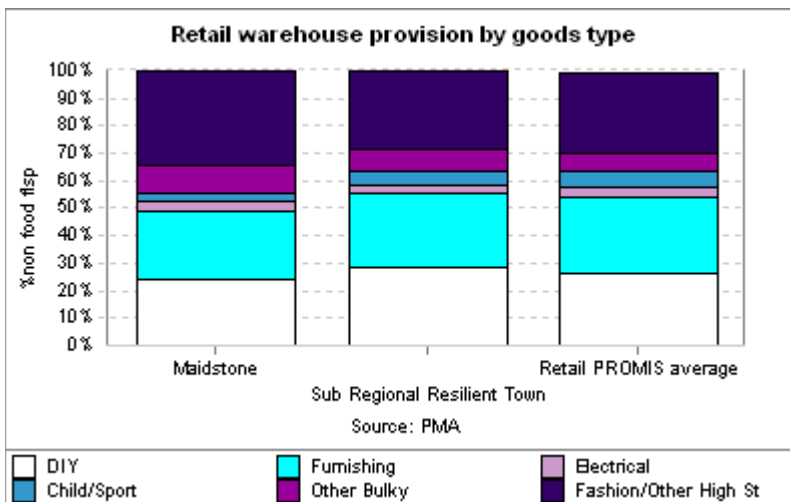
Sources: PMA, Local Data Company, Local & National agents

Last update: 21/04/2021

## Retail Warehouse, Leisure and Superstore Provision

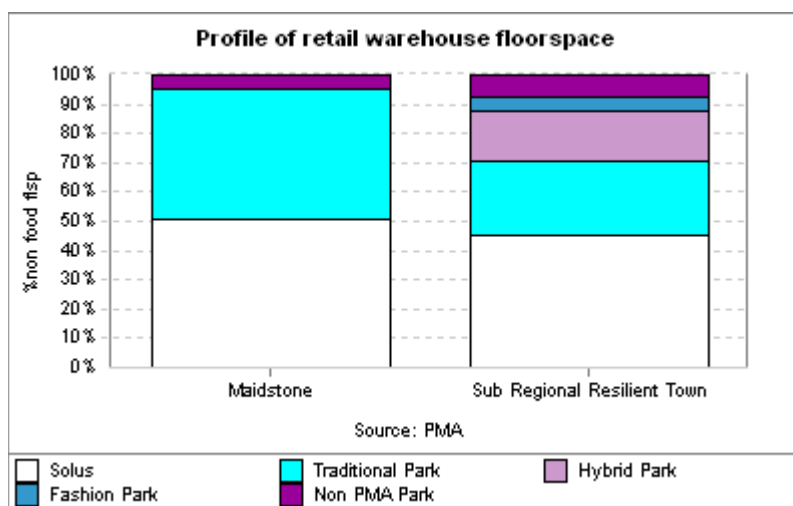
### Retail Warehousing

- In the context of a widespread and unprecedented response to the COVID-19 pandemic, all non-essential retail, catering and leisure outlets were closed across the UK in March 2020. After a period of re-opening in summer 2020, further closures of non-essential retail were implemented from November 2020 and extending into early 2021, when some re-opening was permitted from April 2021. The following commentary provides details of the situation in the out of town retail and leisure sectors at end 2020 and further updates will be made on a regular basis.
- Retail warehouse supply was estimated at 724,000 sq ft, ranking the town 63 of the PROMIS Centres. Overall, provision per household of retail warehousing floorspace is around the PROMIS average, although this varies across key goods categories. Some goods categories are over-represented in terms of provision per household, particularly Other Bulky, and Other High St. In contrast, Child/Sports, Electrical, and DIY are under-represented on this basis.



**Retail parks**

- Around 44% of total retail warehousing floorspace in the Maidstone area is on retail parks, slightly below the Retail PROMIS average.
- There are three classified PMA parks in the Maidstone area, all of which are traditional parks in terms of their tenant mix.
- The largest of these parks is South Aylesford Retail Park, situated on London Road to the north-west of Maidstone town centre. Owned by The Crown Estate, the park is easily accessible from the A20 and has ample parking facilities.
- The park accommodates a range of bulky goods retailers, with Homebase the principal tenant. Other tenants at the park include Smyths Toys, Marks & Spencer Foodhall, Oak Furniture Land, Currys/PC World, Halfords, Pets at Home, Carpetright, Wren Kitchens and Natuzzi. Costa and Nando's, have restaurants at the park, whilst there is a Sainsbury's superstore on a neighbouring site.
- St Peter's Wharf is located close to Maidstone town centre on St Peter's Street. The Range anchors the park, alongside TK Maxx/Homesense, Hobbycraft and Asda Living. There is a solus Wickes store opposite the park.
- London Road Retail Park is also located reasonably close to Maidstone town centre, just over a mile to the north-west on the A20. Dunelm and Dreams are tenants alongside Jollye's, The Food Warehouse and Home Bargains.
- On the south-western fringe of Maidstone town centre, at Hart Street/Barker Road, several out-of-town retailers trade from a small trade park. These include Topps Tiles, Johnstone's DIY, Carpet Mills, Carpet Giant and Tile Giant. Maidstone's large, popular market and a major leisure complex, Lockmeadow Entertainment Centre, are situated nearby.



**Other retail warehousing**

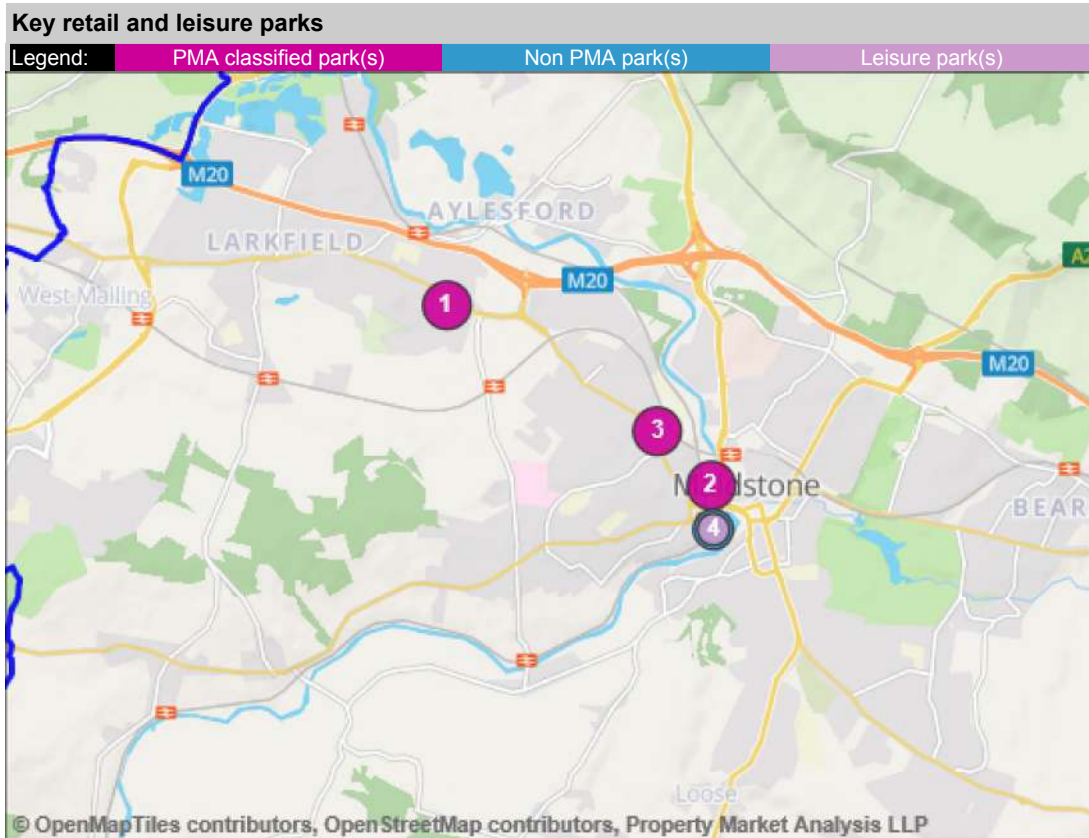
- There are several solus retail warehouses on the edge of Maidstone town centre. Wickes Extra is near St Peter's Wharf, whilst B&Q has a store at Barker Road. Matalan trades from a store at the nearby Broadway Centre.
- Moving north-west from the town centre, there are solus DFS and B&Q stores off the A20 corridor at London Road.
- To the north-east of Maidstone, at Junction 7 of the M20, large Next and Marks & spencer stores trade at Eclipse Park. These two stores are the largest solus stores within the Maidstone area.
- Poundstretcher trades at Hermitage Lane, close to South Aylesford Retail Park, alongside Aldi and McDonald's.

**Leisure Parks**

- There is one PMA classified leisure park in the Maidstone area; Lockmeadow Entertainment Centre is located on the south-western fringe of Maidstone town centre and is anchored by an Odeon cinema. The park was refurbished with a new frontage

## Maidstone Retail Report

during 2017. Tenants at our 2019 survey included Gourmet Burger Kitchen and Frankie & Benny's, as well as David Lloyd Leisure, Hollywood Bowl and Gravity Trampolining.



**Retail warehouse and leisure provision by type**

Map Ref	Park	PMA Park Type	Non-food 000s gross sqft	Leis 000s gross sqft	No. of non-food units	No. of food stores	No. of leisure units	No. of catering outlets	Owner
<b>PMA classified parks</b>									
1	South Aylesford Retail Park	Traditional Park	157		10	1	2	2	The Crown Estate
2	St Peter's Wharf	Traditional Park	103		4		1		CBRE Investors, ESN Pension Fund
3	London Road Retail Park	Traditional Park	61		5	1			Prestbury Group
<b>Non PMA parks</b>									
4	Hart Street/Barker Road		37		5				LaSalle Investment Management
<b>Leisure parks</b>									
4	Lockmeadow Entertainment Centre	Leisure Park		143			9	2	Maidstone Borough Council

Sources: PMA (Latest PROMIS audit), Local Authority

Last update: 21/06/2021

<b>Retail and leisure provision - key retail and leisure operators</b>			
Location	Fascia	Activity	
<b>PMA Retail Parks</b>			
South Aylesford Retail Park	Carpetright	Furniture/shing	
	Costa Coffee	Bar/Restaurant/Fast Food	
	Currys/PC World	Electrical	
	Halfords	Other bulky	
	Homebase	DIY	
	Marks & Spencer Foodhall	Food	
	Nando's	Bar/Restaurant/Fast Food	
	Natuzzi	Furniture/shing	
	Oak Furniture Land	Furniture/shing	
	Pets At Home	Other bulky	
	Smyths Toys	Child/Sports	
	Wren Kitchens	Furniture/shing	
	St Peter's Wharf	Asda Living	Other High St
		Hobbycraft	Other bulky

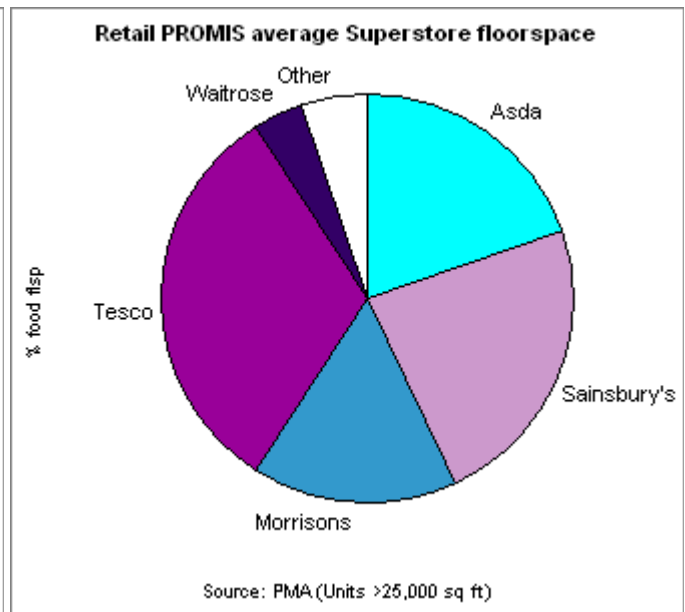
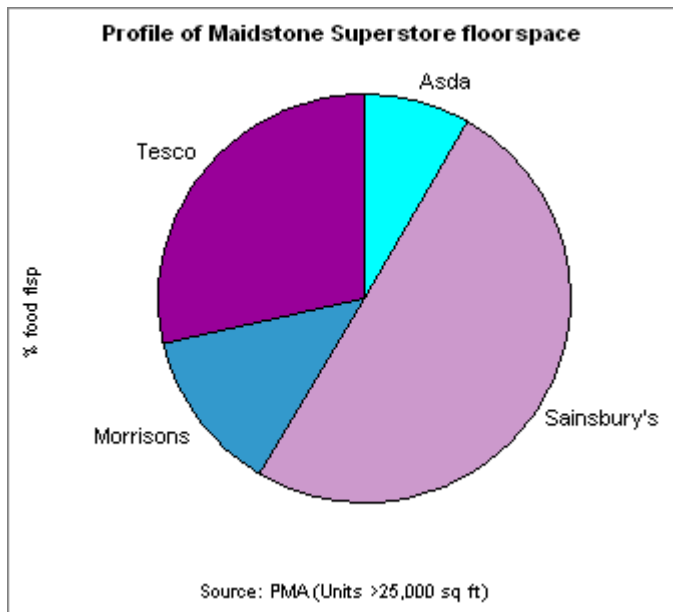
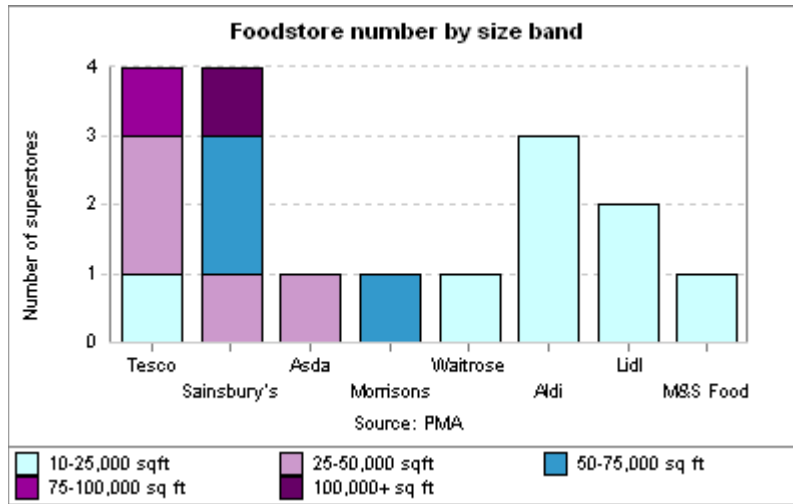
London Road Retail Park	The Range	Furniture/shing
	TK Maxx	Fashion
	Travelodge	Hotel
	Dreams	Furniture/shing
	Dunelm	Furniture/shing
	Home Bargains	Other High St
	Jollye's	Other bulky
	The Food Warehouse	Food
<b>Non PMA Parks</b>		
Hart Street/Barker Road	Carpet Giant	Furniture/shing
	Carpet Mills	Furniture/shing
	Johnstone's	DIY
	Tile Giant	DIY
	Topps Tiles	DIY
<b>Key solus non food operators</b>		
Tonbridge Road	American Golf	Child/Sports
London Road West, Larkfield, Aylesford	B & Q	DIY
Hart Street / Barker Road	B & Q	DIY
Burnt Ash Road	Carpets 4 Less	Furniture/shing
Farleigh Hill, Tovil	Ceramic Tile Shop	DIY
	Charity shop	Other High St
Sandling Road	Clarkes	Other bulky
London Road	DFS	Furniture/shing
Eclipse Park, Sittingbourne Road	Marks & Spencer	Other High St
Broadway Shopping Centre	Matalan	Fashion
Eclipse Park, Sittingbourne Road	Next	Fashion
Hermitage Lane, Aylesford	Poundstretcher	Other High St
St Peters Street	Wickes Extra	DIY
<b>Leisure Parks</b>		
Lockmeadow Entertainment Centre	David Lloyd	Health and Fitness
	Frankie & Benny's	Bar/Restaurant/Fast Food
	Gravity Trampolining	Leisure
	Greene King	Bar/Restaurant/Fast Food
	Hollywood Bowl	Bowling
	Odeon	Multiplex
<b>Key solus leisure operators</b>		
Hermitage Lane, Aylesford	McDonald's	Bar/Restaurant/Fast Food

Sources: PMA (Latest PROMIS audit), Local Authority

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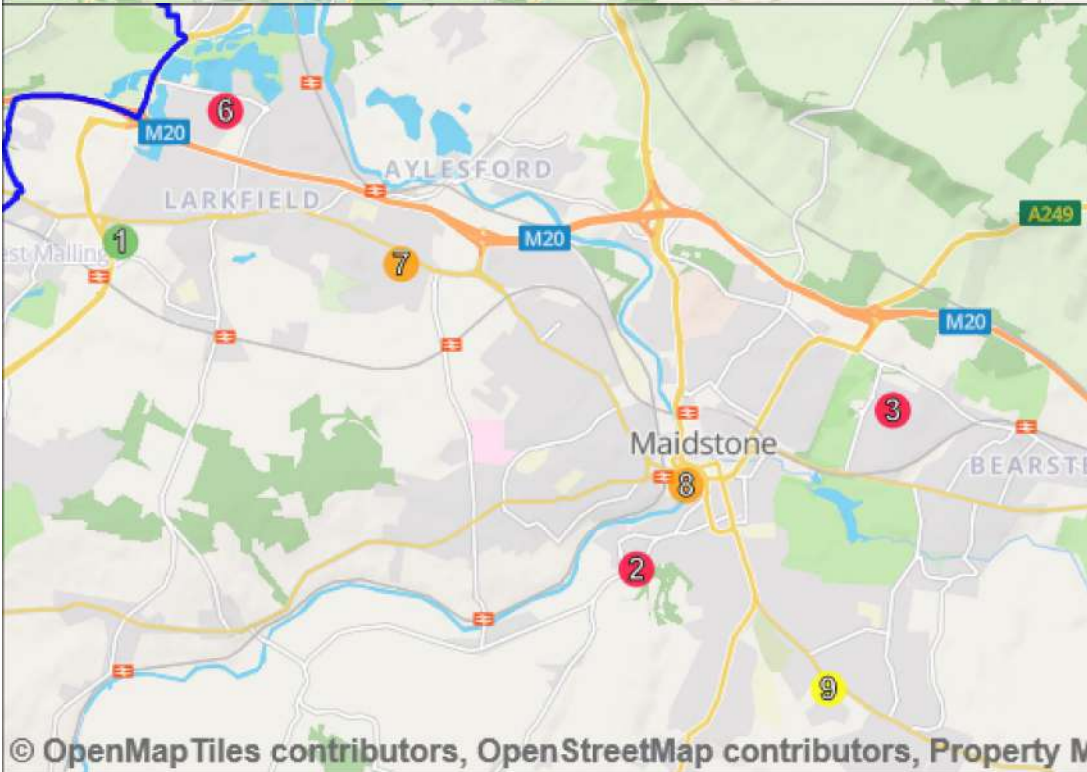
## Superstores

- The Maidstone area has an estimated 674,000 sq ft of floorspace (in superstores and supermarkets) in the area, ranking it 63 of the reported PROMIS Centres; provision per household is below average.
- There is a concentration of large superstores to the north-west of Maidstone. Sainsbury's and Tesco both have large stores at Quarry Wood and Larkfield, and Asda has a store at Kings Hill.
- Sainsbury's is the dominant operator in the Maidstone area; in addition to its Quarry Wood store, there are superstores in Headcorn and near The Mall Maidstone in the town centre, as well as Hempstead Valley Shopping Centre. Waitrose does not have a superstore in the area, although it does have a large supermarket at Allington and Little Waitrose at Kings Hill, West Malling.
- Smaller foodstore operators in the area include Co-Op, Lidl, Aldi and Iceland.



**Existing superstore provision map**

Legend:	Waitrose	Morrisons	Asda
	Sainsburys	Tesco	Other Superstore



**Key superstores**

Map Ref	Address	Retailer
1	Alexander Grove, Kings Hill	Asda
2	Farleigh Hill, Tovil, Maidstone	Tesco
3	Groveswood Drive, Grove Green, Maidstone	Tesco
4	Hempstead Valley Shopping Centre, Gillingham, Hempstead Valley	Sainsbury's
5	High Street, Headcorn	Sainsbury's Local

6	Lunsford Park, Larkfield, Aylesford
7	Quarry Wood, Mills Road, Maidstone
8	Romney Place, Maidstone
9	Sutton Road, Maidstone

Tesco Extra
Sainsbury's
Sainsbury's
Morrisons

Sources: PMA, Local Authority

Last update: 21/06/2021

### Key pipeline schemes

- Given that the response to the COVID-19 pandemic required the halting of many non-essential construction projects, and in the light of the current negative sentiment towards the wider retail sector, we expect delays to some active retail and leisure developments and even the cancellation of others as the focus shifts towards re-purposing of the retail for other uses.
- Permission has been granted to the Crown Estate for plans to extend South Aylesford Retail Park. The plans include three new units for one of the existing terraces, next to Smyths Toys, and a two unit pod building near the main entrance to the park.
- A new Sainsbury's superstore is under construction in Staplehurst.



**Retail Warehouse, Foodstore and Leisure Development Pipeline**

Map Ref	Town	Scheme Name	Developer	Total Flsp - 000s sqft gross	Net Add Retail Flsp - 000s sqft gross	Stage	Type	Comments
<b>Retail Warehouse</b>								
2	Maidstone	South Aylesford Retail Park - extension	The Crown Estate	249	30	FPPG	RP	Extension to park to provide five new units, including pod near park entrance
1	Gillingham	Hempstead Valley Shopping Park	TDH Estates	508	-32	U/C	RP	Subdivision and part change of use of units including Sainsbury's and The Works for health club and flexible units
<b>Superstore</b>								
3	Aylesford	675 London Rd/Bradbourne Lane	Lidl	18	18	FPPG	SUP	Lidl foodstore
4	Staplehurst	Station Approach	DK Holdings, Sainsbury's	34	34	U/C	SUP	Sainsbury's superstore
<b>Leisure</b>								
None reported								
<b>Other Schemes</b>								
None reported								

Sources: PMA, Local Authorities, Egi

Type: SC = Shopping centre, SUP = Superstore/market, UNI = Unit shop, SPK = Shopping Park, RP = Retail park, RPS = Retail Park/Superstore/market, RW = Retail warehouse, LEI/LPK = Leisure unit/park, Appl = Application submitted, OPG = Outline planning permission granted, FPPG = Full planning permission granted, U/C = Under construction

## Retail warehouse, leisure and foodstore provision - key indicators

	Centre	PMA Centre Type Average	Retail PROMIS rank
	Maidstone	Sub Regional Resilient Town	Rank out of 200, 1=best
<b>Retail Warehousing</b>			
Total RW floorspace (000s sqft)	724	561	63
% in PMA classified parks	44	48	135
Number of PMA classified parks	3		
<b>Retail provision classification (% total RW floorspace)</b>			
PMA Shopping Parks	0	5	
PMA Hybrid Parks	0	17	
PMA Traditional Parks	44	25	
Non PMA Parks	5	7	
Solus units	51	45	
<b>Retail Warehouse Provision per Household (200 PROMIS Centres Average=100)</b>			
All non food	99	106	101
DIY	90	115	
Furniture & furnishings	91	103	
Electrical goods	86	91	
Child & sports	53	88	
Other bulky goods	148	127	
Fashion/Other High Street	116	104	
<b>Leisure Provision</b>			
Number of PMA Leisure Parks	1	0	
Total Leisure Park floorspace (000s sqft)	143	44	49
Total Leisure floorspace (000s sqft)*	148	75	
Number of Cinemas	1	2	
Cinema screens per capita (200 PROMIS Centres = 100)	42	96	23
<i>*Total leisure floorspace includes all leisure operators (eg cinema, bowling, bingo, health &amp; fitness) on PMA Leisure and Retail Parks but excludes solus leisure operators.</i>			
<b>Foodstores</b>			
Total floorspace in supermarkets and superstores (000s sqft)	674	529	63
Provision per household (200 PROMIS Centres = 100)	84	101	

Sources: PMA, Local Authority

Last update: 21/06/2021

## Retail Warehouse Market Conditions

### Vacancies, in-movers and closures

- At end 2020 the retail PROMIS average retail park vacancy rate was around 19% of retail park units, reflecting a marked increase over the course of 2020 as a result of corporate failures and store rationalisation programmes amongst both retailers, leisure and food & beverage operators, compounded by an accelerated level of distress amongst occupiers, as a direct consequence of the COVID-19 related shut-downs.
- Widespread closures by the likes of Carphone Warehouse, Outfit, Mothercare, Laura Ashley and Argos, alongside food & beverage operators Frankie & Benny's and Chiquitos, were particularly prevalent on UK retail parks during 2020, all the result of corporate failures and store rationalisation programmes.
- There were five vacant retail warehouses on parks in the Maidstone area at end-2020, three of which were at Lockmeadow Entertainment Centre. Maidstone's retail park vacancy rate falls well below the average for the PROMIS centres.
- Subdued Retail Warehouse take-up was recorded across the UK over 2020. In the main, demand came from convenience retailers, such as Aldi, Lidl and The Food Warehouse, as well as discounters including B&M Bargains and Home Bargains or expansionist specialists such as Wren Kitchens.
- Details of key recent retail warehouse in-movers and out-movers are shown in the table below.

Key in-movers and out-movers		
	In-mover	Out-mover
<b>Park units</b>		
Lockmeadow Entertainment Centre	Vacant (A3)	Gourmet Burger Kitchen
London Road Retail Park	Vacant	Argos
South Aylesford Retail Park	Vacant	Harveys/Bensons for Beds
<b>Solus units</b>		
	Marks & Spencer (Eclipse New unit Park)	

Source: PMA, Local Data Company

Last update: 20/04/2021

### Out-of-town centre rents

- Market conditions in the retail park sector have continued to deteriorate, with corporate failures and store rationalisation programmes affecting occupier demand. This has resulted in a dearth of rental evidence and, whilst many agent sources report rental decline, the rate and extent of this decline is often difficult to quantify for individual parks. This is particularly true in the context of the recent COVID-19 crisis.
- Despite the lack of open market evidence, and based on the views of local and national agents, PMA estimate that prime park rents were marked down by an average 18% over the year period to end-2020. Whilst rents on some retail parks with a high representation of 'essential' retailers, such as DIY retailers, discounters and groceries have held up better over the recent Covid-19 crisis, an accelerated level of rental decline is reported on large high rented shopping parks and Hybrid Parks which historically had a significant fashion presence. Indeed, rents here were marked down further by an average of 25%-30% over the year period to end-2020.
- Occupier demand was weak during 2020 and a rise in lease re-gears and fewer new lettings were reported at end 2020; turnover leases and flexible terms were reportedly also common.
- Rents at Maidstone's prime park, South Aylesford Retail Park, were approximately £30 psf at end-2020.

Key transactions					
Address	In-mover/ tenant	Size sqft	Rent	Notes	Date
<b>Lettings &amp; assignments</b>					
None reported					
<b>Rent reviews</b>					

**None reported**

Sources: PMA, Local & National agents, Egi

**Investment market**

- There had already been an adverse shift in investor sentiment towards the UK retail sector as the market reacted to the growing evidence of downward pressure on retail rents as a direct consequence of the impact of online retail and rising operating costs on retailer profitability. This was clearly evident in the outward movement in retail warehouse yields, albeit within the context of a much reduced level of retail investment activity.
- Details of recent retail warehouse investment transactions in Maidstone, where available, are detailed in the table below.

**Key investments**

Address	Purchaser	Size sqft	Value £m	Notes	Date
Sainsbury's, Mills Road, Aylesford	British Airways Pension Trustees, Supermarket Income REIT			Part of portfolio deal. Total value of May 2020 £102m.	
Lockmeadow, Barker Road, Maidstone	Maidstone Borough Council	141,329	19	Tenants: Odeon, Hollywood Bowl, Frankie & Benny's	Nov 2019

Sources: PMA, Local & National agents, Egi

Last update: 20/04/2021

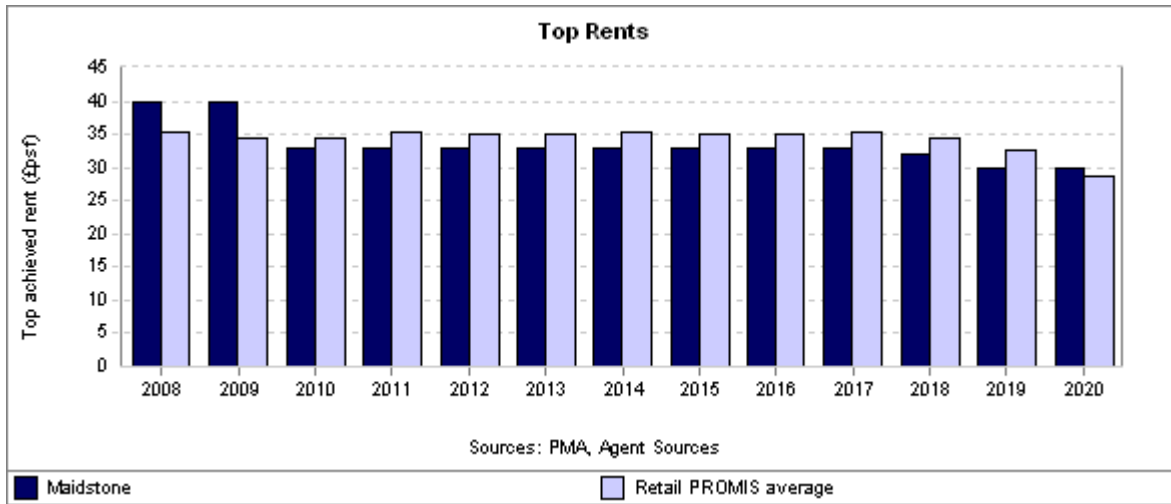
**Retail warehouse market conditions - key indicators**

	Centre	Retail PROMIS Average	Retail PROMIS rank
	Maidstone	70 Centres	Rank out of 70, 1=best
<b>Vacancy rates</b>			
PMA classified parks (% of units)*	10.5	18.9	13
PMA prime park (% of units)	10.0	14.7	
<b>Prime retail park rents £ psf</b>			
<b>Prime park</b>	<b>Date</b>	<b>Top Rent</b>	
South Aylesford Retail Park	2008	40	35.3
South Aylesford Retail Park	2009	40	34.4
South Aylesford Retail Park	2010	33	34.3
South Aylesford Retail Park	2011	33	35.4
South Aylesford Retail Park	2012	33	35.1
South Aylesford Retail Park	2013	33	35.0
South Aylesford Retail Park	2014	33	35.2
South Aylesford Retail Park	2015	33	35.1
South Aylesford Retail Park	2016	33	35.0
South Aylesford Retail Park	2017	33	35.2
South Aylesford Retail Park	2018	32	34.3
South Aylesford Retail Park	2019	30	32.5
South Aylesford Retail Park	2020	30	28.6

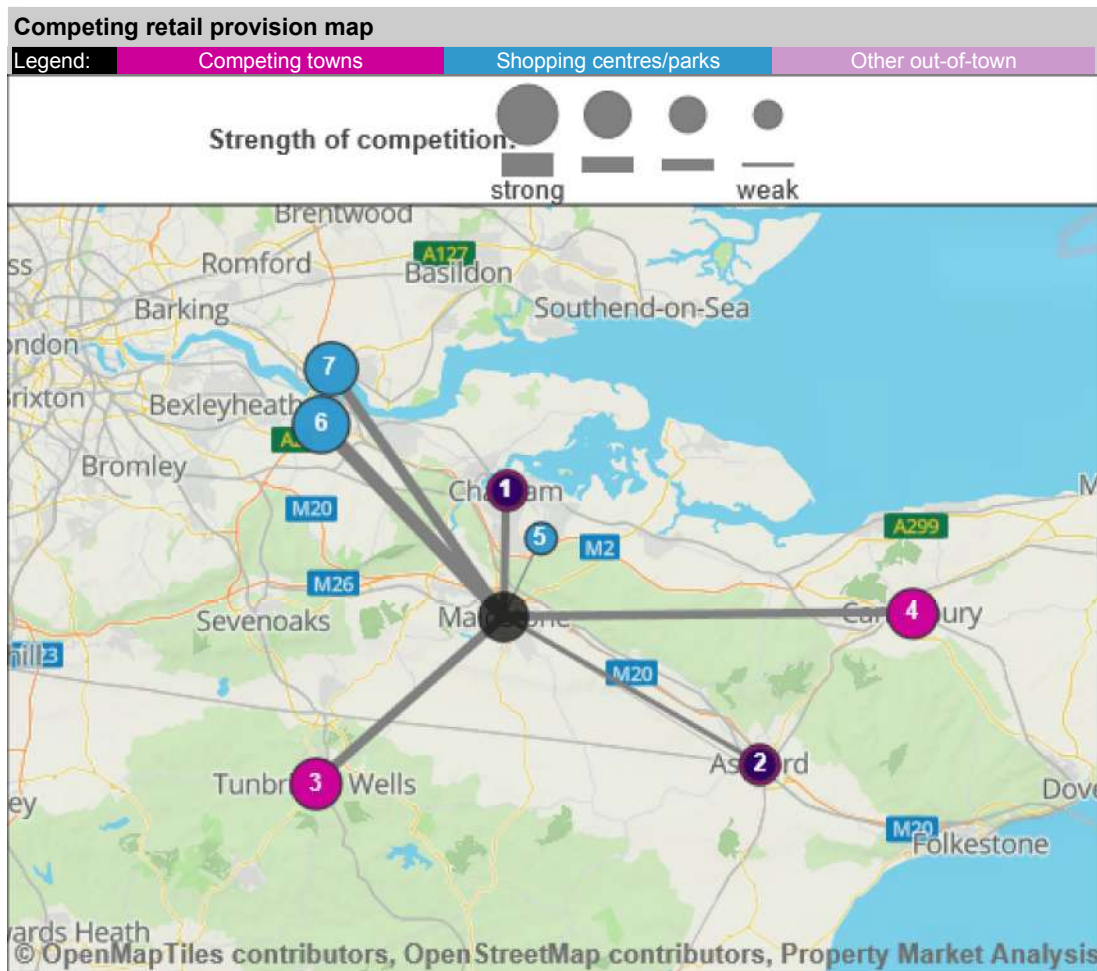
\* Retail Warehouse vacancy and rent ranks and averages are based on 70 reported centres only.

Last update: 21/06/2021

Sources: PMA, Local & National agents, PMA Rent Panel



## Competition



Competing retail provision - key indicators						
Map Ref	PMA Total Retail Provision Score	Total floorspace 000s sqft	Rent £psf ZA	Distance from Maidstone Miles	Minutes	Included in PMA Competition Indicator**
Maidstone	208	1,520	80			
<b>Key competing towns</b>						
1 Chatham	82	1,070	40	8	16	
2 Ashford	83	720	46	23	29	
3 Tunbridge Wells	248	1,170	127	17	35	
4 Canterbury	238	1,010	121	30	40	
<b>Out-of-town shopping centres</b>						
5 Hempstead Valley, Gillingham		520		10	16	
6 Bluewater	476	1,720	288	20	27	Y
7 Intu Lakeside	315	1,410	214	26	40	Y
<b>Out-of-town parks</b>						
None reported						
<b>Other out-of-town</b>						
1 Dockside Outlet Centre, Chatham		350		10	22	Y
2 Ashford Designer Outlet, Ashford		330		23	31	

\*\*The PMA Competition Indicator is a measure of the total retail score of competing towns and cities, out of town shopping centres, fashion and hybrid shopping parks, outlet malls and other out of town competing formats within given drive times for each PROMIS centre relative to the retail score of that centre. Only those centres ticked as included fall within the specified drive times for competing centres.

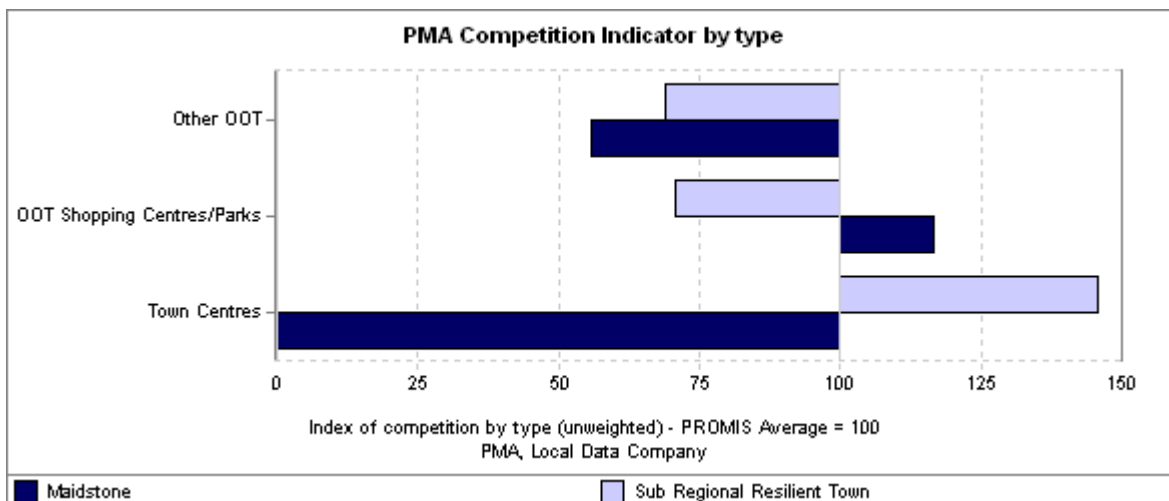
Sources: PMA, Local Data Company

Last updated: 23/04/2021

### PMA Competition Indicator

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Overall, Maidstone town centre faces below average competition from competing retail centres and ranks 92 out of the 200 PROMIS centres on the PMA Competition Indicator (a rank closest to 1 reflects a low level of competition).



**Town centre competition**

- Maidstone's main competitors are Tunbridge Wells and Canterbury, both of which are within a reasonable drive-time for Maidstone residents, especially for those living in the southern and eastern parts of the area. In view of the proximity of Central London, we would also expect some expenditure to be lost to the capital, particularly from commuters.
- Maidstone's nearest competitor is Chatham, some 15 minutes drive to the north. Chatham is a smaller centre than Maidstone, with fewer multiples and generally a more down-market offer.
- Ashford, situated around half an hour's drive from Maidstone, also has an inferior offer to that of Maidstone.
- Tunbridge Wells, some 35 minutes drive to the south-west, is a more significant competitor, with a strong retail offer including an extensive range of fashion retailers and a large number of quality, independent fashion/speciality shops in an attractive shopping environment. Despite the absence of a key town centre department store, Fenwick and Hoopers are represented. The town may be an occasional comparison shopping destination for Maidstone residents.
- Canterbury is about 40 minutes drive away via the M2. This historic city has a good retail offer and a mix of quality multiple and independent retailers, making it particularly attractive to more affluent Maidstone residents and to those shoppers requiring a more varied offer than is available in Maidstone.

Competing Town Centres - Development Pipeline							
Town	Scheme	Developer	Total Flsp 000s sqft gross	Net Add Retail Flsp 000s sqft gross	Stage	Type	Comments
Tunbridge Wells	Royal Victoria Place	British Land	472	120	FPPG (on hold)	SC	Extension to shopping centre, including leisure/cinema alongside renovation work and general upgrade of shopping centre. Ely Court opened as food market and bar in late 2019.

Sources: PMA, Local Authorities, Egi Last update: 21/06/2021  
 Type: SC = Shopping centre, SUP = Superstore/market, UNI = Unit shop, SPK = Shopping Park, RP = Retail park, RPS = Retail Park/Superstore/market, RW = Retail warehouse, LEI/LPK = Leisure unit/park, Appl = Application submitted, OPPG = Outline planning permission granted, FPPG = Full planning permission granted, U/C = Under construction

**Out of town shopping centres and retail parks**

- Maidstone faces competition from several out-of-town locations. Bluewater, in particular, provides an attractive alternative destination for mobile, affluent residents within the area. The centre provides around 1.7 million sq ft of retail floorspace in an attractive covered environment with plenty of free car parking. Anchored by John Lewis, Marks & Spencer and House of Fraser, Bluewater provides a very good range of quality retailers such as Diesel, Gant, Reiss, Urban Outfitters, Massimo Dutti, Superdry, Calvin Klein and Hugo Boss. At less than half an hour's drive away, it is easily accessible to Maidstone residents and is likely to attract many high spending comparison trips from the area.
- There are plans for a redevelopment and extension of West Village at Bluewater, which could potentially some 300,000 sq ft of additional floorspace, although only a small amount had been completed at by end-2020, with the remainder of the development put on hold.
- Maidstone also faces competition from Intu Lakeside shopping centre in West Thurrock. The centre, which is just over half an hour's drive from Maidstone, provides around 1.2 million sq ft of retail floorspace. Key tenants include Marks & Spencer and House of Fraser, alongside fashion retailers such as Superdry, Jack Wills, Zara and Victoria's Secret. There are also some specialist retailers here, including Apple, Hotel Chocolat, Hamleys and Swarovski. A leisure extension to Lakeside completed in 2019.
- Hempstead Valley shopping centre, just under 20 minutes drive to the north of Maidstone, caters for residents in the northern part of the Maidstone area. In addition to Sainsbury's, the district centre accommodates a number of mass-market comparison retailers such as Marks & Spencer, New Look and TK Maxx, as well as WH Smith and Boots. Consent was granted in 2018 for more retail and leisure floorspace at the centre.

**Other out of town**

- To the south of Ashford, and less than half an hour's drive from Maidstone, is Ashford Designer Outlet. The outlet centre offers a wide range of high street fascias all offering limited ranges of discounted branded goods; key tenants include Gap Outlet, Marks & Spencer Outlet, Polo Ralph Lauren, Abercrombie & Fitch, Tommy Hilfiger and Ted Baker. An extension to the centre, accommodating around 30 additional shops and catering outlets completed in late-2019.
- Another outlet centre - Dockside Outlet Centre - was completed in 2003 at Chatham Maritime as part of the regeneration of the former naval dockyards. The 350,000 sq ft outlet centre, which is approximately 10 miles north of Maidstone, accommodates around seventy retail units. Fashion retailers include Cotton Traders and Marks & Spencer Outlet, whilst there are also several specialist retailers, including Mountain Warehouse, Pavers and The Range.
- For many years discussions have been underway regarding the development of a new community on the site of disused chalk quarries at Ebbsfleet, some half an hour's drive north west of Maidstone. Already home to an HS1 station connecting to the Channel Tunnel, up to 50,000 new homes are envisaged by Ebbsfleet Development Corporation in this location, supported by new community facilities. However, progress has been very slow and to date only a fraction of the residential element has been built.

Development Pipeline - Out-of-Town Shopping Centres / Retail Parks and Outlet Centres							
Town	Scheme	Developer	Total Flsp 000s sqft gross	Net Add Retail Flsp 000s sqft gross	Stage	Type	Comments
Bluewater SC	West Village Extension	Land Securites	1,981	250	OPPG (on hold)	SC	Extension to Bluewater shopping centre - redevelopment and extension of West Village. Initial phases (new Primark and extended Zara) completed, remainder not started.
Gillingham	Hempstead Valley Shopping Park	TDH Estates, Trustees of the HVSC	588	60	FPPG	DC	Redevelopment of car park to provide retail, leisure and car park
	Hempstead Valley Shopping Park	TDH Estates	508	-32	U/C	RP	Subdivision and part change of use of units including Sainsbury's and The Works for health club and flexible units
Maidstone	Newnham Court Shopping Village	Land Securities, Harvest Systems Holdings	80		FPPG	SC	Redevelopment of garden centre and refurbishment of some retail space in existing outlet centre

Sources: PMA, Local Authorities

Last update: 21/06/2021

# Maidstone Retail Report

*Type: SC = Shopping centre, SUP = Superstore/market, UNI = Unit shop, SPK = Shopping Park, RP = Retail park, RPS = Retail Park/Superstore/market, RW = Retail warehouse, LEI/LPK = Leisure unit/park, Appl = Application submitted, OPPG = Outline planning permission granted, FPPG = Full planning permission granted, U/C = Under construction*

## Key Statistics

Key statistics - Maidstone			
	Centre	Retail PROMIS average	Star rating
	Maidstone	200 centres	out of 5
<b>Consumer demand</b>			
<b>Primary Retail Market Area</b>			
Population 2020 (000s)	279	239	★★★★★
Population 2025 (000s)	292	244	★★★★★
Households 2020 (000s)	113	100	★★★★★
Consumer base 2020 (000s)	204	175	★★★★★
Population growth 2015-2020 (% pa)	1.05	0.55	★★★★★
PMA Affluence Indicator Rank			★★★★★
% of AB households 2011	24	21	★★★★★
% households with 1+ car 2011	85	74	★★★★★
<b>House Prices</b>			
Average house prices 2020 Q4 (£)	342,100	294,900	★★★★★
Change in average house prices 2019 Q4 - 2020 Q4 (%pa)	5.6	7.1	★★
2020 Q4 Transactions as % peak	67	59	
House prices 2020 Q4 as % peak	132	135	
<b>Unemployment</b>			
Claimants as % population aged 16-64 April 2021 (Average=GB)	5.2	6.3	★★★★★
Unemployment annual change to April 2021 (%) (Average=GB)	1.1	1.2	★★★
Total Average earnings (Gross weekly wages £2020)	606	573	★★★★★
<b>Spending Potential</b>			
Total retail expenditure, 2020 (£m)	1,725	1,340	★★★★★
Per capita total retail expenditure, £2020	6,174	5,673	★★★★★
% online expenditure	30.7	29.7	
<b>Growth in consumer demand</b>			
Projected population growth, 2020-2025 (% pa)	0.86	0.41	★★★★★
Forecast growth in total retail spend, 2020-2025 (% pa real)	3.5	2.7	★★★★★
<b>Current Supply</b>			
<b>Town centre</b>			
Town centre floorspace 2020 (000s sqft)	1,520	1,120	★★★★★
Number of non-food multiples	100	80	★★★★★
Number of food multiples	4	3	★★★★★
Number of café / restaurant multiples	30	20	★★★★★
<b>PMA Town Centre Retail Scores</b>			
Total Town Centre score	208	169	★★★★★
Non-Food Retail score	154	132	★★★★★
Anchor stores score	24	16	★★★★★
Fashion score	76	70	★★★★★
Other non-food score	54	46	★★★★★
Café / restaurant multiples score	49	32	★★★★★
Food stores score	5	4	★★★★★
PMA indicator of supply:demand balance (200 PROMIS Centres Average=100)	95		★★★
<b>Retail Warehouse</b>			
Retail warehouse floorspace (000s sqft)	724	727	★★★★★
% in parks	44	52	★★
% RW floorspace occupied by High Street retailers*	37	35	★★★★★
RW floorspace per household (all centres=100)	99	100	★★★
<i>*High Street retailers include all high street formats, eg fashion, footwear, sports, books, mobile phones, jewellery, health &amp; beauty etc</i>			
<b>Foodstores</b>			
Foodstore floorspace (000 sq ft)	674	713	★★★★★
Foodstore provision per household (all centres = 100)	84	100	★★★★★
<b>Leisure</b>			
Total Leisure Park floorspace (000s sqft)	143	93	★★★★★
Number of PMA Leisure Parks	1	1	
Number of Cinemas	1	2	
Cinema screens per capita (200 PROMIS Centres = 100)	42	100	★★★★★
<b>Competing Supply</b>			

## Maidstone Retail Report

PMA Competition Indicator Rank	92	★★★
Town Centre Competition Index (200 PROMIS centres average = 100)	0	
OOT Shopping Centre / Retail Park Competition Index (200 PROMIS centres average = 100)	116	
Outlet Mall Competition Index (200 PROMIS centres average = 100)	56	

Sources: PMA, Land Registry (Eng & Wales), GROS (Scotland), ONS, 2011 Census Crown Copyright, © CACI, Local Data Company

<b>Market conditions</b>			
<b>Town centre</b>			
TC vacant units 2020 Q4 (%)	14.2	18.5	★★★★★
Prime TC rents end 2020 (£psf Zone A)	80	74	★★★★★
Change end 2000-end 2008 (%pa)	0.0	2.1	★
Change end 2008-end 2012 (%pa)	-3.8	-6.3	★★★★★
Change end 2012-end 2017 (%pa)	0.8	0.1	★★★★★
Change end 2017-end 2020 (%pa)	-13.8	-12.4	★★
Net balance of Take-Up 2019 Q4 - 2020 Q4 (in-movers minus out-movers)(%)	-2.1	-2.5	★★★
Prime TC yields end 2020 (%)	7.00	7.66	
Yield shift mid 2020-end 2020 (% points)	0.50	0.59	
<b>Out of town</b>			
PMA classified parks vacancy rate (% of units)*	10.5	18.9	★★★★★
Top achieved RW rent (PMA Traditional Park, £psf)*	30.00	28.70	★★★★★

Sources: PMA, Local Data Company, Local & National agents

<b>Key statistics - Maidstone</b>						
		<b>Centre</b>	<b>Retail PROMIS average</b>			
		<b>Maidstone</b>	<b>200 centres</b>			
<b>Planned Development</b>						
<b>Potential increase in Town Centre supply</b>		<b>000s sqft</b>				
Town centre floorspace		1,520				
Floorspace under construction		0				
Planned floorspace		0				
Minimum supply (1)		1,520				
Maximum supply (2)		1,520				
Minimum change in supply (%)		0.0			0.2	
Maximum change in supply (%)		0.0			0.3	
<b>Potential increase in Retail Warehouse supply</b>		<b>000s sqft</b>				
Retail warehouse floorspace		720				
Floorspace under construction		0				
Planned floorspace		30				
Minimum supply (1)		720				
Maximum supply (2)		750				
Minimum change in supply (%)		0.0			0.2	
Maximum change in supply (%)		4.1			5.3	
<b>Potential increase in Foodstore supply</b>		<b>000s sqft</b>				
Foodstore floorspace		700				
Floorspace under construction		20				
Planned floorspace		20				
Minimum supply (1)		720				
Maximum supply (2)		740				
Minimum change in supply (%)		2.8			0.6	
Maximum change in supply (%)		5.4			7.3	
<b>Potential increase in Leisure Park supply</b>		<b>000s sqft</b>				
Leisure Park floorspace		150				
Floorspace under construction		0				
Planned floorspace		0				
Minimum supply (1)		150				
Maximum supply (2)		150				
Minimum change in supply (%)		0.0			2.2	
Maximum change in supply (%)		0.0			10.8	
<b>Key potential changes in competition</b>						
<b>Town/centre</b>	<b>Scheme</b>	<b>Total (000s sqft)</b>	<b>Net Add Retail (000s sqft)</b>	<b>Stage</b>	<b>Type</b>	
Bluewater SC	West Village Extension	1,981	250	OPPG (on hold)	SC	
Gillingham	Hempstead Valley Shopping Park	588	60	FPPG	DC	
Gillingham	Hempstead Valley Shopping Park	508	-32	U/C	RP	
Tunbridge Wells	Royal Victoria Place	472	120	FPPG (on hold)	SC	
Maidstone	Newnham Court Shopping Village	80		FPPG	SC	

(1) Total floorspace + space under construction

(2) Total floorspace + space under construction + space with planning permission

Sources: PMA, Local Authorities

## Retail Definitions

**Retail PROMIS Centres** – retail locations covered by the service include:

- The top 200 towns and cities across the UK selected on the basis of indicators of size and retail role and to provide national coverage. Note that this excludes Central London. Only these 200 Retail PROMIS Centres and are included in the Retail PROMIS Averages or Retail PROMIS Ranks.
- An additional 90+ smaller towns and suburban London centres such as Barnstaple or Motherwell and Brixton or Camden.
- Key Central London markets - Oxford Street, Bond Street, Regent Street, Covent Garden, Knightsbridge, Kensington High Street, Kings Road and the City
- The RSCs - MetroCentre, Lakeside, Bluewater, Trafford Centre, Meadowhall, Merry Hill, White Rose Centre, Braehead, Brent Cross, Westfield London and Westfield Stratford

**PMA Town Types** - the 200 retail PROMIS Centres are divided into Town Types on a number of measures of the status and strength of their retail role, as follows:

- **Major cities**  
the top 9 cities on the basis of both the size of the Retail Market Area and PMA retail score (excluding Central London).
- **Regional centres**  
the next 25 towns and cities on the basis of the size and strength of their retail role.
- **Sub regional resilient towns**  
29 of the remaining top 100 towns, on the basis of the size and strength and of their retail role, that have proved relatively robust in terms of change in that role.
- **Sub regional weak towns**  
37 of the remaining top 100 towns, on the basis of the size and strength and of their retail role, that have seen a relative deterioration in that role.
- **Average resilient towns**  
28 of the bottom 100 of the PMA 200 towns, on the basis of the size and strength and of their retail role, that have proved relatively robust in terms of change in that role.
- **Average weak towns**  
the remaining 72 of the bottom 100 of the PMA 200 towns, on the basis of the size and strength and of their retail role, that have seen a relative deterioration in that role.

## Consumer Demand

- **Primary Retail Market Area**  
the Primary Retail Market Area shown in the Primary Retail Market Area map is modelled by PMA based on the retail attractiveness of each location relative to competing retail destinations. The area includes all Wards (LAU2 areas) where the penetration of the location is estimated to exceed 15%. (10% for Regional Shopping Centres).
- **Consumer Base**  
a modelled estimate of the total Consumer Base for each retail location that reflects the estimated market penetration of that location both within the Primary Retail Market Area and beyond.
- **Total Retail Spend**  
the estimated total pool of available spending on retail goods within the Primary Retail Market Area. Sources: 2011 Census Area Statistics, © CACI, © PMA. All rights reserved.
- **Per Capita Retail Spend**  
the estimated average spend on retail goods per capita (per person) across the Primary Retail Market Area. This will reflect the age and social structure of the local population. Sources: 2011 Census Area Statistics, © CACI, © PMA. All rights reserved.
- **PMA Affluence Indicator Rank**  
a composite rank of the 200 Retail PROMIS Centres on the basis of key measures of affluence (including social structure, car ownership, house prices and unemployment rate). Sources: 2011 Census Area Statistics, © CACI, © PMA. Labour Force Survey, Land Registry, GROS, All rights reserved.

## Town Centre Retail Provision

- **Total Floorspace**

estimated current total retail floorspace (sq ft and sq metres) within the core retail area of the town or city, excluding retail parks and solus retail warehouse units located within the town centre. Source: © PMA. All rights reserved.

- **Total Managed Floorspace**

estimated current total retail floorspace within managed shopping centres within the core retail area of the town or city. Source: PMA Shopping Centres Database.

- **Extent of Prime Frontage**

number of retail units within the defined prime pitch (shown on TC Provision Map in each PROMIS report). Source: Local Agents, © PMA. All rights reserved.

- **PMA Provision Scores**

scores for each Retail PROMIS Centre based on the presence of key anchor stores, national and regional fashion, non fashion and food & beverage multiples within each retail location. The scores reflect both the size and quality of key anchor stores, variety stores and fashion multiples. A high score = strongest retail provision. Source: © PMA. All rights reserved, Local Data Company (LDC).

- **PMA Indicator of Demand: Supply Balance**

a rank of the 200 Retail PROMIS Centres on the basis of the ratio of the size of the Consumer Base to the PMA Retail Provision Score. A high rank (close to 1) suggests a relatively strong level of retail supply compared with size of the consumer base; a low rank (close to 200) suggests a relatively weak level of provision compared with the size of the consumer base. Source: © PMA. All rights reserved, Local Data Company (LDC).

- **Key Town Centre Schemes in the Pipeline**

key retail schemes within or close to the town or city centre that are under construction, planned, applications or pre-applications. Source: PMA Development Pipeline Database

- **Vacant Units**

the percentage of units shops within the core retail area that were vacant at the date shown (available for all towns from Q4 2019 onwards, only available for 70 larger towns before this date). Units under construction or under redevelopment are excluded from the vacancy count. Source: © PMA. All rights reserved, Local Data Company (LDC).

- **Prime Rents**

the top achievable rent for a retail unit within the town or city at specified date. Data is updated twice yearly. Source: Local and National Agents, © PMA. All rights reserved.

- **Net balance of Take-Up**

The net balance of Take-Up (in-movers minus out-movers) as a percentage of the total number of unit shops. Source: © PMA. All rights reserved, Local Data Company (LDC).

- **Unit shops**

Count of unit shops includes all shop units on high streets and in shopping centres which are occupied or capable of being occupied by retail, food & beverage, leisure and service uses (such as personal care or finance), but excluding those units that are categorised as 'non-retail' (such as health centres, office buildings and hotels).

### Retail Warehouse Provision

- **Total Retail Warehouse Floorspace**

estimated current total (non food) floorspace in retail parks and solus retail warehouse units within the area (including town centre retail parks and solus units). Source: PMA Retail Warehouse Supply Database.

- **PMA Classified Parks**

PMA define a Retail Park as a purpose built development of more than 40,000 sq ft and with at least 3 units, not necessarily in single ownership. All retail warehouse formats that fall below this threshold are called Clusters and Non PMA Parks. Parks are then categorised on the basis of their tenant mix as follows:

- **Fashion / Shopping Park** - parks where High Street type retailers account for at least 50% of total floorspace
- **Hybrid Park** - parks with at least 3 High Street retailers
- **Traditional Park** - parks with fewer than 3 High Street retailers

- **Retail Warehouse Provision per Household Index**

an index of the total volume of retail warehouse floorspace divided by the number of households, where the PROMIS Centres Average = 100. The total non food retail warehouse provision per household is ranked where a high rank (close to 1) equals a low level of provision per household and a low rank (close to 200) equals a high level of provision per household. Source: © PMA. All rights reserved.

- **Total Floorspace in Supermarkets and Superstores**

estimated current total volume of floorspace in supermarkets and superstores over 10,000 sq ft. Source: © PMA. All rights reserved.

- **Foodstore Provision per Household Index**

an index of the total volume of foodstore floorspace divided by the number of households where the PROMIS Centres Average = 100. Source: © PMA. All rights reserved.

- **Key Schemes in the Pipeline**

key schemes within the development pipeline with retail warehouse, foodstore or leisure floorspace that are under construction, planned, applications or pre-applications. Source: PMA Development Pipeline Database.

- **Retail Park Vacancy Rate**

% of units on retail parks that were vacant at the time of the latest audit (excluded solus units); 70 reported centres only. Source: © PMA. All rights reserved.

- **Retail Park Rents**

top achieved rent psf on retail parks by type of park (traditional, hybrid and fashion park listed separately). Source: Local and National Agents, © PMA. All rights reserved.


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## Appendix 6

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Standing Stock Transactions 19-20



Address	Tenure	HMO	Units	Passing Rent	Purchase Price	Yield	Date	Comments
5 Queens Gardens, W2	Freehold		13 self-contained flats	-	£6,500,000	5.15% based on refurb	20-Aug	Prime central London location. The C3 block was in basic condition and would benefit from refurbishment.
14 Devonshire Place, W1	Freehold		4 self-contained flats with D1	£150,000	£8,100,000	1.85% (MR) 4.94% (ERV)	20-Oct	Mixed-use building in a prime central London location. Passing rent c. £150,000 with potential to maximise rental income through refurbishment with an ERV of c. £400,000.
2 Knareborough Place, SW5	Freehold	HMO	22 self-contained flats	£225,000	£6,000,000	3.75%	19-Feb	The Property went through major refurbishment in 2012 in order to self-contain all of the units and remove all shared facilities. But we note that its internal specification and condition could be improved.
Wolf House, 5-6 Giddon Road, W14	Freehold	HMO	22 self-contained studio units	£300,000	£6,375,000	4.71%	19-Jul	The income reflects a lease arrangement between a management company and the landlord, which is subject to a 10 year internal repairing lease, with a landlord and tenant break option on 15 October 2023.
4 Willoughby Street, Bloomsbury, WC1A	Freehold	HMO	HMO - 1 garden flat and 8 studios	£126,290	£2,670,000	4.73%	19-Nov	Prime central London location. The block has been fully refurbished to a good standard. Each unit has a modern fitted kitchen with appliances and the building has a modern communal fitted bath/shower room/ WC.
43 Old Gloucester Street, Holborn, WC1N	Freehold		3 self-contained flats	£26,950	£1,100,000	2.45%	19-Feb	A terraced building in a prime location set above a ground floor commercial unit (which was sold off on a long lease), although we are informed that the tenant of this part has violated the lease by converting the commercial premises into a pair of self-contained flats without consent, and as such there is a case for forfeiture.
90 Greengate Street, London E13 9AS	Freehold	HMO	22 self-contained studios	£187,440	£3,500,000	5.4% (Gross)	20-Mar	The building was refurbished in February 2019, but to a very basic specification. It is subject to lease providing a secure five year income to the landlord.
79 Fairport Road, Leytonstone, E11 1BE	Freehold	HMO	HMO - 10 studios	£85,500	£1,035,000	8.3% (Gross)	20-Feb	A semi-detached Victorian townhouse extending to 3,000 sq ft. The property is in a reasonable condition, but has basic fixtures and fittings.
4 Willoughby Street, Bloomsbury, WC1A	Freehold	HMO	HMO - 1 garden flat and 8 studios	£168,241	£2,670,000	6.3% (Gross)	19-Nov	The block has been fully refurbished to a good standard. Each unit has a modern fitted kitchen appliances and a modern communal fitted bath/shower room/ WC.
16 Holmdale Road, Hampstead NW6 1BJ	Freehold	HMO	6 self-contained studios/1 beds	£98,904	£1,730,000	5.7% (Gross)	19-Sep	Mid-terrace period building, fully let. Large rear garden. HMO licenced.
113 Wightman Road, London N4 1RJ	Freehold	HMO	5 self contained studios	£41,440	900000	4.60%	17-Oct	Three storey mid-terrace house arranged as 5 self contained studios with HMO licence.
26 Westerfield Road London N15 5LD	Freehold	HMO	5 self contained studios	£16,500 (60% vacant)	£530,000	3.11% (Passing) 7.2% (ERV)	20-Jun	Two storey mid terraced 1950s house converted into 5 independent studios with HMO licence
21 Camden Park Road London NW1 9AX	Freehold	HMO	8 studios, 5 with shared bathrooms	£87,892	£1,250,000	7.03%	19-Sep	Building was in reasonable tenable condition but required work in the short term and the HMO only had 3 ensuite letting rooms. It was estimated that rent could be increased.
56 Cranbrook Park London N22 5NA	Freehold	HMO	7 self contained studios	£55,320	£705,000	7.85%	18-May	Building was in a basic state of repair and it was considered that there was scope to drive the rents. 5 of the units were small and virtual singles. HMO licence in place.
11 Church Lane London N8 7BU	Freehold	HMO	4 self contained units	£25,500	£760,000	4.14%	18-Dec	Building was a three storey mid terraced house arranged over 3 storeys. Three of the flats were let on standard ASTs with one regulated tenant paying a reduced rent. The building was underlet at time of sale at auction.
30 Salisbury Road London N4	Freehold	HMO	5 bedroom with 3 with shared facilities	£36,000	£731,000	4.90%	17-Nov	The building was in dated condition and while laid out as an HMO there was no licence in place. Three of the units had shared facilities.
28 Tynemouth Road London N15	Freehold	HMO	7 Self contained flats	£76,244	£950,000	8.34%	19-May	Three storey mid terraced house arranged as 6 studios and 1 two bedroom flat. The building was fully let and sold prior to auction. Agents believe it should have achieved more.
69 Downhill Park Road London N17 6AS	Freehold	HMO	6 Self contained studios	£48,784	£735,000	6.64%	17-Mar	The building was in need of work and the units were micro sized and poorly maintained.
3-7 Queens Gate London	Freehold	Hostel	41 letting room hostel with ancillary use	£656,000	£16,875,000	3.88%	Exchanged	Let as a sui generis hostel in prime central location. Potential to redesign at the end of 8 year lease term to operator.
Myrdle Court, Myrdle Street E1 1HP	Freehold		28 self contained apartments (1 x 1, 27 x 2)	£496,200 (passing) £550,200 (ERV)	£10,400,000	4.77% (passing) 5.29% (ERV)	19-Oct	C3 block in central London. Good tenable condition throughout although scope to improve and drive rents.
Loughborough Court, London SE24 0QF	Freehold		59 self contained flats (34 x studio 25 x 1)	£787,800 (ERV)	£10,715,000	7.35%	20-Jul	C3 block needingworks throughout. Planning permission for an additional floor at roof level.
16 & 18 Lawrence Road, London SE25 5AA	Freehold	HMO	14 letting rooms and shared ancillary	£107,338	£1,750,000	6.13%	20-Oct	HMO block with potential further development to add additional letting rooms. Close to amenities of Norwood.
Constance Court, London SE15 4QR	Freehold		6 self contained two bedroom flats	£95,191	£2,100,000	4.53%	20-Aug	1980s block of 6 self contained C3 units on a good sized plot/good road in Peckham south London. Parking.
Claire Court, London SE15 4HF	Freehold		9 self contained one bedroom flats	£122,400	£2,410,000	5.07%	20-Aug	1980s block of 9 self contained units in reasonable tenable condition. Parking.
2 Pembroke Road, London N10 2HR	Freehold		10 Self contained flats (8 x 1, 2 x 2 formed via PD conversion of a 1990s office.	£141,996	£2,500,000	5.68%	20-Nov	Recent Permitted Development Conversion of a 1990s office into 10 self-contained units. Units are above London Plan thresholds and therefore independently mortgageable..
69 Craven Park, London NW10 8SR	Freehold		Block of 8 self contained units (7 x studio, 1 x 1)	£104,000 (ERV)	£1650000	(ERV)	20-Feb	Newly completed block of flats with Edwardian semi. The flats were well appointed and the agents considered the buyer got a very good deal which should have been closer to 5%. Parking for 2 cars, communal gardens.
23 Cheniston Gardens, London W8 6TG	Freehold	HMO	13 flats (8 self contained, 2 offices and ancillary communal space.	£141,156 (passing)	£3,700,000	3.82%	20-Feb	Unmodernised condition throughout in desirable central location, Potential to drive rents and reconfigure space. Licence in place.

Standing Stock Transactions 19-20



2 Esmond Road, London W4 1JQ	Freehold		4 self contained flats (1 x studio, 1 x 1, 1 x 2 & 1 x 3)	Vacant £83,200 (ERV)	£1,850,000	4.49%	20-Apr	Large Edwardian semi-detached house subdivided into ground floor two bed, first floor 3 bed and second floor one bed and studio. The property is in reasonable condition but basic. Could be converted back to house or further subdivided.
203 Gloucester Place, London NW1 6BU	Freehold		4 self contained apartments (1 x studio, 1 x 1, 2 x 2)	Vacant £105,00 (ERV)	£2,425,000	4.32%	20-Oct	Mid terrace Georgian townhouse arranged as four self contained flats. The building is vacant and tired throughout.
74 Iadbroke Grove, London W11 2HF	Freehold		10 Self contained flats (8 x studio, 2 x 1)	Vacant £215,800 (ERV)	£5,000,000	4.31%	20-Oct	Large mid terrace townhouse over 6 storeys recently modernised to provide 8 self contained units to a good mid range specification.
38 Nottingham Place, London W1U 5NU	Freehold		6 self contained flats (1 x studio, 2 x 1 & 3 x 2)	£185,000 (passing)	£5,100,000	3.63%	20-Jan	Large Victorian mid terraced house subdivided vertically into 6 C3 self contained flats. The building is servicable but dated.
12 Lots Road, London SW10 0QF	Freehold		3 Self-contained flats (1x 1 & 2 x 2)	£62,500	£1,660,000	3.77%	20-Jan	Victorian mid terraced house arranged over lower ground and two upper floors subdivided vertically into 3 flats. The building is dated throughout but benefits from river views from the upper floors.
27 Fawcett Street, London SW10 9EY	Freehold		5 self contained 2 bedroom flats.	£112,800	£3,075,000	3.66%	19-Aug	Victorian corner building over lower ground and 4 upper floors. The flats are in good tenatable condition throughout.
53 Clapham Common Northside, London SW4 5RX	Freehold		3 self contained 2 bedroom flats	Vacant £87,400 (ERV modernised)	£1,480,000	4.64%	19-Jul	Vacant and in need of some modernisation.