

04B710303/ES09

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29th September 2017

Greater Manchester Pension Fund
Guardsman Tony Downes House
5 Manchester Road
Droylsden,
M43 6SF
For the attention of: Paddy Dowdall

Dear Sirs

Property: Guardsman Tony Downes House, 5 Manchester Road, Droylsden M43 6SF

Introduction and Instructions

In September 2017, you contacted us requesting that we provide you with valuation advice for internal purposes, in respect of the property which you currently occupy, Guardsman Tony Downes House in Droylsden.

We have provided you with this advice, based on our inspection of the premises on 29th of September 2017, and on the assumption that the office accommodation is occupied in full by the Greater Manchester Pension Fund on an FRI lease. Details of our lease assumptions are provided later within this letter.

We comment that our valuation advice falls outside the guidance of the RICS Valuation, Global Standards 2017; however, as it is needed for internal purposes only, it is suitable for your requirements.

The Property

Planning consent was granted for construction of this property under application 13/00590/FUL in October 2013 and construction completed in the third quarter of 2015. Consent was granted for the following:

Use	Gross Internal Area (Sq Ft)
Retail	7,373
Office	40,882

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The property comprises a four storey building (basement with three upper floors) with retail accommodation to the ground floor fronting onto Manchester Road. The office accommodation is set across ground, first and second floors. You have advised us that the offices provide a Net Internal area of 26,500 sq ft.

The building has been constructed with a concrete frame, brick elevations with double glazed windows. The main entrance to the property which is located at the junction of Manchester Road and Craven Street has an attractive glazed entrance which is the full height of the building.

Internally the office provides Grade A accommodation that has been finished with raised carpet covered floors, painted plaster walls, suspended ceilings with inset lighting and air conditioning. The offices have been finished to suit the requirements of the occupier with wall mounted partitioning having been put in place to create meeting rooms and offices, however the majority of the space is open plan. The upper floors are accessible via two stairwells and two passenger lifts.

Externally to the rear of the property there are 6 surface car parking spaces on a tarmacadam surface with car parking (approximately 25 spaces) also provided to the basement level.



View from Manchester Road



Rear View of the Property



Internal View of the Office Accommodation

The office accommodation is owned and occupied in its entirety by the Greater Manchester Pension Fund.

The retail accommodation is currently vacant. We are not aware of a marketing campaign currently being undertaken in respect of this space. At the time of our inspection it was in a shell condition with concrete block walls and solid concrete floors. The accommodation was provided as one unit, but partitioning could easily be put in place to create multiple units.

Rating

We provide below the ratable values of the asset below.

Address	Description	Total Area	Rateable Value
Guardsman Tony Downs House, Manchester Road, Droylsden Manchester M43 6EP	Office and Premises	26,694	£282,500
Retail Units Guardsman Tony Dons House, Manchester Road, Droylsden Manchester M43 6EP	Office and Premises	6,302	£65,500

The Uniform Business Rate for the year commencing 1 April 2017 is currently 47.9p in the pound,

Floor Areas

Based on the information you have provided and in mind of the floor areas stated within the planning application and those detailed on the Valuation Office Agency's website we have prepared our valuation based on the following floor areas:

Use	Net Internal Area (Sq Ft)
Retail	6,302
Office	26,500

Tenure

We understand that the property is held on a Freehold interest and our valuation has been prepared on this basis.

Valuation Assumptions

You have asked us to provide our opinion of value of the property on the assumption that the office accommodation is occupied by Greater Manchester Pension Fund on a 25 year FRI lease with annual RPI linked reviews at an initial passing rent of £384,250 per annum. This income reflects a rental value of £14.50 per sq ft. In consideration of the specification of the accommodation, we believe a

rent at this level to be achievable but we would highlight there would be very few occupiers in the market for a suite of this size, in this location.

We have assumed that this lease commences as at the date of our valuation.

In respect of the retail accommodation at ground floor level, we have made our own assumptions. The accommodation is currently vacant. Although the accommodation could be occupied by one tenant we believe there would be more demand for smaller units and as such we have assumed that it would be sub-divided and multi-occupied.

With this in mind we have applied a 24 month void across the retail accommodation to allow for marketing. This is on the basis that part of the retail space will be let within say 6 months, whilst other parts may not let for a period in excess of 36 months. During the void period we have accounted for empty rates and re-letting costs.

Local Market Commentary

Central Manchester has a very buoyant office market and is widely regarded as the best office market in the UK outside of London. Droylsden however, situated approximately 4 miles to the east of Manchester City Centre, would be regarded by investors as very a poor secondary location.

Stock in the area is generally poor quality and this is driven by the nature of demand in the area which primarily comes from small local occupiers, who do not require high specification, purpose built, and modern accommodation. Generally, local occupiers also only require small suites of under 1,000 sq ft.

Guardsman Tony Downes House provides Grade A office space, superior to any other accommodation in the locality. In the event the property was vacant, we would anticipate limited demand from occupiers to take the whole premises. Of course, there may however be occupiers in the market interested in taking this accommodation as it provides a cheaper alternative to buildings in other areas of Manchester, however in reality if this property was vacant it is likely that the accommodation would need to be split and let on a suite by suite basis to small companies who provide poor covenant strength.

The demand for retail accommodation in Droylsden suffers due to the towns' proximity to superior retail centres such as Manchester, Oldham and Ashton, all of which would be regarded as superior. This lack of demand has a detrimental impact on rental values.

In the event that the property was brought to market for sale, with GMPF as an occupier of the office accommodation, for a 25 year period, without breaks and index linked annual reviews, we would anticipate a very high level of investor demand. Offers would reflect the long term, secure income provided by the occupier. The main concern amongst purchasers would be the poor re-letting prospects of the building, in the event that GMPF were to vacate the premises on leases expiry.

Market Value

Having regard to the above factorys, we are of the opinion that the Market Value of the Freehold interest in Guardsman Tony Downes House, 5 Manchester Road, Droylsden M43 6SF as at 29th September 2017 to be **£7,000,000. (Seven Million Pounds)**

This has been calculated based in a traditional income capitalisation basis.

We have capitalised the assumed income of £384,250 per annum in respect of the office accommodation at an initial yield of 5.5%. This low yield reflects the security of the income from a very strong covenant and also that there are fixed annual uplifts. Our yield however also reflects Droylsden as a secondary office location.

Having regard to recent lettings in the locality, we have applied a rental value of £73,730 per annum, reflecting £10.00 per sq ft, to the retail space. This has been capitalised at an All Risks Yield of 10.0% after a 24 month income void.

Please do not hesitate to call me to discuss in further detail.



Emma Smyth MRICS
RICS Registered Valuer
Associate
Valuation Consultancy
For and on behalf of GVA Grimley Limited