

Humberston Fitties, Humberston Fitties Anthonys Bank Road, Humberston, North East Lincolnshire, DN36 4EX

Scenario: MARKET VALUE

Valuation date: 01/04/2012

DESCRIPTION:

The Humberston Fitties comprises 320 holiday chalets tenanted by way of short ground leases.

ANALYSIS:

Term: Terms of lease vary from 5, 10 to 15 years
Passing Rent: The total passing site rent is c.£235,000 per annum
Rent Review Pattern: 3 yearly
Next Rent Review: 1st April 2011 - in negotiation
User Clause: Chalets for holiday and recreational use
Area/size: 64 hectares (158.25 acres)

RENT:

At the date of valuation there is an outstanding rent review involving 177 tenants. Approximately half that number are deemed to have accepted the proposed rent; the others are likely to be determined by arbitration. On the assumption that arbitration will find in favour of the Landlord and the proposed rents will be applied the new annual rent with effect from 1 April 2011 would be c.£250,000.

The remaining 143 Tenants are holding over on leases which expired in 2011; as there is no right of security the options to renew on more favourable lease terms for an investor would be attractive.

EXPENDITURE:

The lease allows for a service charge to be recovered from the Tenants, however it is limited in that only expenditure on security, street lighting, highway maintenance and ditches can be recovered. Until the lease clause is altered this means that a percentage of repairs and maintenance is not recovered.

After calculating all income and outgoings the net surplus to an investor would be c.£90,000 as at present passing rent, rising to c.£105,000 at completion of the review. £105,000 will be used as the basis for the valuation, into perpetuity.

YIELD:

There is the risk that arbitration will find in the tenants' favour and action nil increase at 1 April 2011; the management of the Fitties is intensive and the lease terms currently unfavourable and there is expected capital investment required to improve the infrastructure. This would suggest a yield of around 15% however the opportunity to restructure the leases to recover more expenditure and increase profits brings this down to 12%.

Current	Gross income	105,000	
	Net Income		105,000
YP (12.000% in perpetuity)	8.9495		939,696

Gross Value 939,696

Net Value	939,696
Rounded Net Value	940,000

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True Equivalent Yield	11.996 %
Nominal Equivalent Yield	11.170 %

Running Yield

Date	Capital Invested	Capital Adjustment	Gross Income	Net Income	Running Yield	Cap Adj Running Yield
Mar 2012	940,000	0	105,000	105,000	11.174%	11.170%

Assumptions

All dates are calculated from the nearest month start/end.

Running Yield is based on gross value before the addition/deduction of capital adjustments.

Cap Adj Running Yield is based on cumulative capital invested.

YP calculated quarterly in advance.