

# CABINET



**URN: 23-133**

**Report Title :** Long term lease arrangement and construction update for “The Place”

**Report to:** Cabinet

**Date of meeting :** 27/09/2023 ELT and 09/10/2023 Cabinet

**Responsible Cabinet Member:** Graham Plant

**Responsible Director / Officer :** Natasha Hayes; Executive Director of Place

**Is this a Key decision ?** Yes

**Date added to Forward Plan of Key Decisions if a Key Decision:** 04/08/2023

## EXECUTIVE SUMMARY / INTRODUCTION FROM CABINET MEMBER

As part of the of Future High Streets and Town Deal programmes the Borough Council, in partnership with East Coast College (ECC)(working with University of Suffolk (UoS)) and Norfolk County Council (NCC) are developing a Library and University Learning Centre “The Place” in the town centre.

The project is at the stage where the development is progressing to construction stage and part of this includes the disposal of the building through granting 125-year leases to the project partners noted above, to operate their library and learning services and support the Council to realise the outcomes of this aspirational project for the Borough.

This report also provides an update on the progress of the development and the approach to contract award, in line with the approved budget.

## RECOMMENDATIONS :

- 1) That Cabinet notes and approves the project progress to date.
- 2) That Cabinet approves the disposal of 37-39 Market Place, Great Yarmouth, subject to agreed heads of terms, by way of granting 125-year leases to East Coast College and Norfolk County Council, in line with the acquisitions and disposals policy.

## 1. Introduction

As part of the suite of interventions for Future High Streets and Town Deal Funding, the Borough Council has partnered with ECC, UoS and NCC to create a Library and Learning Centre, now named “The Place”. Extensive work has been carried out over the previous two years to purchase the previous Palmers Department store and commence a programme of design, surveying and demolition works to ready the building for its final phase of development.

The Place is due to open in the Autumn of 2024 and represents a £18 million investment in the Town Centre. The project will create a central point where residents can enjoy an expanded, modern Library offer, engage with grass roots education programmes from Adult Learning and progress to formal programmes of learning including Degrees provided by East Coast College and the University of Suffolk. Alongside this a Nursing degree training programme will also be offered from the building by the University of Suffolk in partnership with the James Paget Hospital. The project will create a trusted, welcoming and inclusive environment, where local people will be able to improve their skills. Defined skills pathways will exist for upskilling, improve educational attainment and capitalise on career opportunities in local growth economies.

Great Yarmouth Borough Council is contributing £7.46m from the government's Town Deal programme and £3.4m from the Future High Streets Fund respectively. Both these funds are integral to the town's vision to improve and regenerate the town centre and address economic growth constraints. In addition, Norfolk County Council is providing £2 million to support the relocation of the Library, and £3.5 million was committed by East Coast College and the University of Suffolk partnership for the development of the University Centre. Formal approval from central government, provides a further £1m of Town Deal funding bringing the budget to £18m. This budget increase was necessitated by the very high inflationary costs seen recently in the construction industry.

The asset will be fully owned by Great Yarmouth Borough Council, who have obtained the freehold title on 26th November 2021. Great Yarmouth Borough Council will lease the building to the tenants on a long-term (125 year) lease term, the tenants will initially pay a peppercorn rent. The first break clause and rent review will occur after 40 years.

These arrangements have been agreed by all partners and formulated in a Heads of Terms document (annex 1), which sets out the high-level arrangements, as summarised below:

- 125 year lease with break clauses in years 40, 60, 80, 100 and 120. The landlord has the right to break the remaining lease if one of the tenants invokes its break clause;
- Initial peppercorn rent with reviews in years 40, 60, 80, 100 and 120;
- Subletting is allowed if within permitted use of the building (as a public library, for the provision of education or community use);
- The landlord is responsible for the upkeep of the building fabric, including the refurbishment and replacement of the building's fabric and mechanical and electrical services;
- The tenants are responsible for their own utility charges, rates, contents insurance, cleaning, security and decoration and reactive maintenance in their own demise;
- The landlord will charge the tenants an annual service charge, which is a recharge of a proportion of actual costs incurred and commensurate with the size of the tenant's demise. The service charge will include costs relating to the utilities in shared areas, the service and maintenance of mechanical and electrical plant, security and access control systems, annual statutory compliance testing, fire safety systems and buildings insurance;
- An Operational Management Board constituted of landlord and tenants will meet quarterly to address issues and oversee the smooth management of the building. A Partnership Agreement will set out operational arrangements. Disputes between tenants will in the first instance be resolved by Great Yarmouth Borough Council as the landlord. In the event of a dispute, parties will have recourse to the Royal Institute of Chartered Surveyors' (RICS) Dispute Resolution Service (or similar).

The Heads of Terms have been further developed into an Agreement for Lease, which sets out the legal and delivery arrangements during the development and construction stage of the project. A Lease agreement sets out the legal, operational and maintenance arrangement which will come into force once the construction has been completed.

The two main tenants of the building – East Coast College and Norfolk County Council – will each have a demise area of roughly 50%. Each partner will pay a service charge commensurate with the size of their demise, based on the actual costs of providing the hard facilities management services which the landlord will incur as part of its normal duties. There will also be a contribution towards the long-term maintenance of the building (payment on account) to ensure that the building can be maintained and kept in good condition.

There will be no separate legal entity responsible for running the building. Instead, each tenant will be responsible for their own delivery and employ their own staff to deliver from their demise.

In other words, the arrangements will be that of the traditional landlord-with-multiple-tenants. Great Yarmouth Borough Council will be the landlord. East Coast College and Norfolk County Council will be the tenants. The tenants will take possession and the lease will kick in when the building works are completed in Autumn 2024.

Norfolk County Council have approved to enter into the lease at their Cabinet of the 3<sup>rd</sup> July 2023.

### **Construction approach and procurement**

Enabling works were successfully completed on budget in December 2022. The benefit of carrying out the asbestos and strip-out works early was to de-risk the project: it was possible to unearth all the issues surrounding hazardous materials, structural integrity and the condition of the existing masonry and timber.

The next stage is to replace the roof, which is in a very poor state of repair, and needs to be replaced in its entirety. The reason for bringing this package forward is to make the building water-tight and ensure a smooth and speedy internal fit-out and is another way of de-risking the main project. These works have been contracted to Morgan Sindall following a procurement process using the SCAPE framework. Morgan Sindall started on site on 11<sup>th</sup> September, and the building is expected to be water-tight by 11<sup>th</sup> November.

The final stage of construction has been procured based on a Stage 2 fixed price from the SCAPE contractor, Morgan Sindall. Having a fixed price contract provides cost certainty to both Great Yarmouth Borough Council and the tenants, as the team will be able to define exactly what is being delivered for the end tenants/users. The project has a fixed budget, and there is no scope for the costs to increase beyond the funding already available. After some negotiation, a fixed price has been agreed with Morgan Sindall for the main contract in August 2023 which is within the agreed budget. The contract will be awarded to Morgan Sindall on this basis, with the agreement of partners.

### **Partnership Agreement**

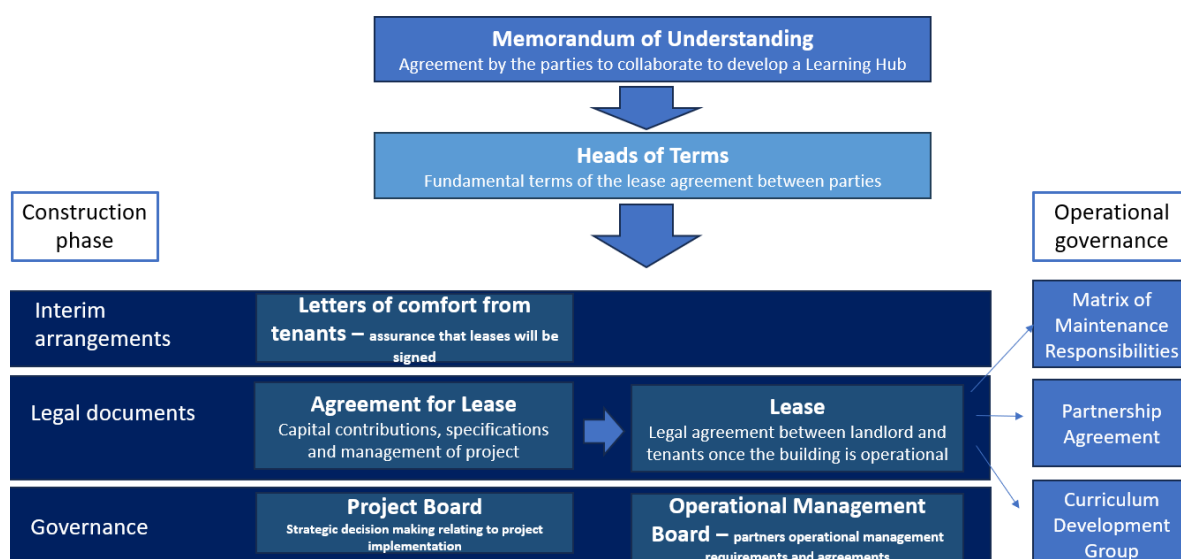
A Partnership Agreement will be put in place outlining the arrangements between tenants in terms of roles and responsibilities, and an agreement for the delivery of various elements of the skills offer to ensure an excellent customer experience. It will ensure good co-operation, reduce duplication, fill gaps in provision and enable a coherent and integrated skills offer for the residents of Great

Yarmouth, this partnership agreement will be signed by partners and will run concurrent to the lease.

As a complex site with a number of organisations operating from it, there is a national precedent of challenges and relationship breakdown, associated with managing assorted strategic priorities. Learning from other multi-partner sites such as the Forum in Norwich we have developed the partnership agreement to provide clear processes and procedures to facilitate strong working relationships and resolve disputes.

Disputes between tenants will in the first instance be resolved by the Operational Management Board. Great Yarmouth Borough Council as landlord will be the arbiter of disputes between tenants. If no resolution is possible or if the dispute is of a lease-related or legal nature, or if the dispute is between the landlord and one or both tenants, the matter will be referred to the Royal Institute of Chartered Surveyors' (RICS) Dispute Resolution Service (or similar).

In addition to the partnership agreement, we will implement the following governance model that covers every aspect of the building management and operations:



The governance approach will need to transition from construction and project delivery to the operational phase post construction as detailed in the above diagram. Similarly, the legal documentation surrounding the building has developed from the early Memorandum of Understanding, through to Heads of Terms, agreement for lease and to the final lease documents. All partners have provided letter of comfort confirming their intentions to sign these leases with the aim that these will be agreed by the end of October 2023.

The heads of terms also detail that the tenants are responsible for their day-to-day soft facilities management and the partners are working together to develop a shared FM approach. There is no responsibility for the Council to provide or fund these services.

## 2. Work to Date / Proposal

Heads of terms for the leases have already been approved with Norfolk County Council having agreed to sign this lease at their cabinet of the 3rd July 2023. East Coast College's Corporation (Board of Governors) signed off the Heads of Terms in December 2022 once University of Suffolk's

executive committee approved the grant funding. It is expected that both partners will sign their lease upon the agreement of GYBC to grant the lease.

The proposal is as noted in this paper – to grant leases of 125 years to ECC and NCC for their demise, with a breaks and rent reviews after 40, 60, 80, 100 and 120 years.

The future use of this property in terms of the provision of Library and Learning Services provides exceptional opportunities to improve the economic and social well-being of the area as detailed in this paper and the previous business case submitted to DLUHC. Furthermore, it improves the environmental wellbeing of the area by refurbishing a disused building in considerable disrepair. This regeneration could not be achieved without the financial contribution of the partners.

### **3. Impact / Next Steps**

Next steps will be for leases to be signed by ECC and NCC and to progress to the build stage of the project as detailed in this paper.

### **4. Financial Implications**

The tenants are to contribute a total of £5.5m towards refurbishment costs (Norfolk County Council £2m, East Coast College £3.5m).

In consideration of the works to be funded by each tenant, leases will be granted for 125 years with an initial peppercorn rent period of 40 years has been agreed.

This is traditionally known as a long lease arrangement where by the tenants capital investment is being recognised as supporting the development of the site. If the capital contribution was not required for the scheme then the tenants would be paying a market rent from the outset of the lease.

In granting a long lease, officers must have regard to the Councils Acquisition and Disposal Policy. Any lease in excess of 7 years duration is considered a disposal.

Under Section 123 of the Local Government Act 1972 principal councils have a duty not to sell land (including long leases) for a consideration less than the best consideration reasonably obtainable.

To demonstrate best consideration has been reasonably obtained, a valuation has been undertaken by the Councils Asset Surveyor. The valuation analysis (appendix 2) assessed the capital each occupier is investing in comparison to a hypothetical capital value of their lease interest for a term of 125 years. In summary;

- The occupiers of the building are to contribute a total of £5.5m capital for refurbishment costs (Norfolk County Council £2m & East Coast College £3.5m).
- The hypothetical capital value of Norfolk County Councils lease is in the region of £1.5 million and therefore less than the capital investment made (£2 million).
- On the same basis the hypothetical capital value of East Coast Colleges lease is in the region of £860k and therefore less than the capital investment made (£3.5 Million).
- The valuation has therefore established that the capital investment by each occupier sufficiently fulfils the requirement for best consideration under the long lease arrangements proposed.

## Business Rates

It should be noted that on completion of the scheme liability for business rates to the demised areas will rest with the occupiers

### 5. Risk Implications

None identified.

### 6. Legal Implications

Formal signing and sealing of leases.

### 7. Conclusion

This project is a core element of both Town Deal and Future High Streets suite of interventions, providing a wonderful opportunity for residents to learn new skills, engage with community events and benefit from a modern Library in the heart of the Town. We will address key barriers to employment and skills in the Borough, create a circular economy by providing residents with the skills they need to unlock well paid local jobs and raise aspiration and prosperity. The formalisation of the lease arrangements and the progression to the build phase, marks a milestone in this ambitious project.

### 8. Background Papers

#### 1.0 Heads of terms

*Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?*

Consultations	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	
Existing Council Policies:	
Equality Issues/EQIA assessment:	

## Great Yarmouth Learning Hub

### University Centre and Public Library

#### Outline agreement for Heads of Terms / Development Agreement

No	Area	Terms
1	Freehold owner & Landlord	Great Yarmouth Borough Council
2	Leaseholders	(1) Norfolk County Council; and (2) East Coast College
3	Lease period	Long lease 125 years
4	Tenant Break clauses	Break clauses in years 40, 60, 80, 100 and 120.
5	Landlord Break Clauses	Landlord to have the right to break remaining lease if a tenant invokes its break clause.
6	Demise	Schedule 1 drawings to show the demised area for the exclusive use and responsibility of each tenant, as well as areas for shared use, for which the landlord retains responsibility.
7	Permitted use	Town & Country Planning Act Part B F.1: the provision of education, the display of works of art, a public library or public reading room, a public hall or exhibition hall for community use and ancillary activities.
8	Rent	Peppercorn
9	Utilities	Each demise to be sub metered and tenants to pay their own charges. Utilities for shared areas will be included in the service charge.
10	Service charge and on-account maintenance and upkeep payment	<p>The tenant is responsible for the payment of a service charge to the landlord, which will be a recharge of a proportion of actual costs incurred and commensurate with the size of the tenant's demise. The service charge will include costs relating to the utilities in shared areas, the service and maintenance of mechanical and electrical plant, security and access control systems, annual statutory compliance testing, fire safety systems and buildings insurance. The apportionment of the shared costs will be proportionate to the tenants' share of the demise, and will be reviewed at Strategic Management Board meetings annually if required.</p> <p>A charge will also be made to the tenants by the landlord to provide for the costs of internal and external planned maintenance and upkeep of the building, including the refurbishment and replacement of the building's fabric and mechanical and electrical services, for which the landlord retains responsibility.</p> <p>This will be charged as an annual on-account payment by the landlord to the tenants, and the initial payment schedule will be</p>

		<p>based on an estimate of costs over a 25-year period, evenly spread out over 25 years to remain roughly equal year-on-year with an inflationary uplift.</p> <p>The annual payment will be reassessed annually, this assessment will include analysis of actual expenditure during the previous periods and any likely variation in projected expenditure over the remainder of the 25-year period.</p> <p>If required, the services of a Quantity Surveyor will be engaged to estimate costs of works for which there is no precedent.</p> <p>The landlord will provide the tenants with actual costs incurred in the previous period against the on-account payments.</p> <p>The annual review will also include an agreement regarding the standard and quality of any works which are included in the planned maintenance which form the calculation of the payment to be made.</p> <p>In the event of a dispute, parties will have recourse to the Royal Institute of Chartered Surveyors' (RICS) Dispute Resolution Service (or similar).</p>
11	Payment of service charge	The tenant is responsible for paying the annual service charge set out in section 10 above in quarterly instalments on the standard quarter days based on an estimate, which will then be adjusted retrospectively annually, to reflect actual costs.
12	Subletting	Room rental (hourly, daily or weekly) is permitted. Subletting of areas to partners who comply with the permitted use of the building is permitted with the prior permission of the landlord. Permission will not be unreasonably withheld by the landlord.
13	Assignment	Permitted to allow for a change in the legal status of any of the parties, provided that it is acceptable to the remaining tenant and landlord. Likely standard provisions re assignment of whole only subject to the consent of landlord. Permission will not be unreasonably withheld by the landlord.
14	Facilities Management and Maintenance	<p>The tenant is responsible for the redecoration and reactive maintenance in their own demise. Planned maintenance and the upkeep of the mechanical and electrical plant are excluded. Schedules to clarify the standard of decorative order expected of the building will be set out in Schedule 2.</p> <p>The landlord is responsible for the upkeep and maintenance of all shared areas as well as the fabric of the building, shared plant and all external areas.</p>
15	Parking	Car parking is currently available on an hourly basis in the pay & display adjacent car park (Howard Road South), which is free to use after 4pm. Monthly passes could be requested and issued for a fixed charge by GYBC, who owns part of the car park

		jointly with Panther. Parking provision is not included in the lease or service charge.
16	Loading	The tenants will have access to a loading bay for loading and offloading goods.
17	Cleaning	Tenants are responsible for cleaning in their own demise. The landlord is responsible for cleaning in shared demise areas.
18	Security	CCTV cameras (not actively monitored) and access control cards will be installed. The landlord will not provide in-person security. Each tenant will be responsible of the security of their own area. Tenants will be responsible for establishing procedures for the locking and unlocking of the building.
19	Personnel	The landlord will not provide any dedicated personnel on site to manage the facility; it will be the tenants' responsibility.
20	Operational Management	An Operational Management Board constituted of tenants will meet quarterly to address issues and oversee the smooth management of the building. The frequency of meetings will be reviewed. A strategic management board consisting of senior management of the tenants and landlord will also meet quarterly.
21	Dispute resolution	Disputes between tenants will in the first instance be resolved through the Operational Management Board. If no resolution is possible, disputes will be escalated to the Strategic Management Board. If no resolution is possible or if the dispute is of a lease-related or legal nature, or if the dispute is between the landlord and one or both tenants, the matter will be referred to the Royal Institute of Chartered Surveyors' (RICS) Dispute Resolution Service (or similar).
22	Hours of operation	Opening hours are to be agreed and managed by tenants, independent of the landlord.
23	VAT	The service charge will be subject to VAT. Tenants will be responsible for paying VAT in line with their own HMRC status.
24	Rates	Each party to pay their own rates directly.
25	Insurance	Landlord to fund buildings insurance and recharge via service charge proportionately. Tenants to insure contents in their demise.
26	Legal costs	Each party to bear their own legal costs.
27	Agreement for Lease	Prior to the lease coming into force upon practical completion, an Agreement for Lease (Schedule 4), which will set out the parties' intention to enter into a lease, will be in force during the refurbishment stage. The document will record the parties' obligations and how risks are to be distributed. It will set out how the construction works will be managed, what the parties' financial contributions are and how variations and cost escalations will be dealt with. In principle (1) the parties provide funding to GYBC; (2) GYBC carry out refurbishment works to an agreed design and specification; (3) leases are granted when works completed.

## **Schedules to the Lease**

Schedule 1: Demise Drawings

Schedule 2: Standard of decorative order expected of the building in shared and tenant-only areas.

Schedule 3: Fittings, fixtures and services for which the landlord and the tenant are respectively responsible for the maintenance and replacement.

Schedule 4: Development agreement (agreement for lease) and tenants works approval document

Other schedules



**GREAT YARMOUTH**  
BOROUGH COUNCIL

### **PROPERTY ADDRESS**

Former Palmers Department Store, 37-39 Market Place, Great Yarmouth, Norfolk

### **INSTRUCTIONS**

Instructions were received to provide an opinion of the current market value of the proposed leasehold interests in the above property on the open market.

It is understood that a hypothetical valuation is required in order to demonstrate that the investment being made by the prospective tenants warrants the rent free period being offered. This is for internal purposes use only to assist with the proposed letting of the building and as such is not a “red book” valuation. The valuation should not be relied upon by any third parties.

I confirm that so far as I am aware no conflict of interest exists in our undertaking this work on your behalf.

I confirm that the valuer has sufficient current local market knowledge, skills and understanding to undertake the valuation competently.

The basis of the valuation is market value. This is defined as follows: -

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.

### **INSPECTION**

The property has not been inspected. The instructions being to undertake a desk top exercise only.

The property was previously inspected externally only in November 2021.

### **APPENDICES**

The following appendices are attached:

Appendix 1 - Schedule of comparable evidence

Appendix 2 - Ordnance Survey extract showing the site.

Appendix 3 - Stipulations under which this report is issued.

Appendix 4 - Supplied Floor Plans

### **LOCATION**

The subject property forms part of a prime retail area within the town centre and benefits from having frontage to the Market Place. Nearby occupiers include Halifax, HSBC, Lloyds, Barclays, WH Smith and Nationwide.

Great Yarmouth town centre has been in decline as a trading location for many years and many major retailers have now withdrawn altogether or relocated to the nearby retail park. Many units in prime retail areas within the town have been long term void including the subject property.

### **DESCRIPTION**

The property comprises a 4 storey terraced retail premises with a basement, formerly used as a department store. It is understood that the main building fronting the Market Place was constructed during the latter years of the 19th century following destruction of the original building by fire in 1892. There are a number of additions to the rear of varying ages.

It is understood that the building is not listed however it does form part of a conservation area.

An Ordnance Survey extract showing the site is appended to this report.

### **CONSTRUCTION**

From our previous inspection, the buildings appear to be primarily of solid masonry construction. The main front building has a slate covered mansard roof with a tower to the north east corner. The rear additions primarily have pitched slate covered, and flat felt roofs. The roofs of the later 2 storey additions to the north/west of the site have pitched fibre cement sheet covered roofs. External joinery is formed in timber, pvc & steel. Rainwater goods are formed in cast iron, fibre cement and pvc.

### **ACCOMMODATION**

The property is in the process of being converted to form a library over the ground floor and basement, and a further education facility on the upper floors. We have been provided with plans and floor areas and understand that the proposed accommodation is to comprise as follows:

Library

Basement

NIA 5,576ft<sup>2</sup>/518.11m<sup>2</sup>

Ground Floor

NIA 16,531ft<sup>2</sup>/1,535.79m<sup>2</sup>

College

First Floor

NIA 16,737ft<sup>2</sup>/ 1,554.93m<sup>2</sup>

Second Floor

NIA 2,025ft<sup>2</sup>/ 188.17m<sup>2</sup>

Third Floor

NIA 1905ft<sup>2</sup>/ 176.96m<sup>2</sup>

### **CONDITION**

Whilst we have had regard to the current state of repair and condition of the property, we have not carried out a structural survey nor have we inspected woodwork or other parts of the property which were covered, concealed or inaccessible. The services have not been tested.

It is understood that comprehensive renovation/repair works are to be undertaken as part of the proposed conversion and we have valued on the basis that these works have been fully completed to a satisfactory standard.

### **STATUTORY ENQUIRIES**

It is assumed that planning consent will be obtained for the intended works/use.

### **SERVICES (not tested)**

Mains water, electricity, gas and drainage are assumed to be connected to the property. It is assumed that the completed units will be fitted with air conditioning and central heating systems.

### **ENVIRONMENTAL ISSUES**

We are not aware of any adverse environmental issues affecting the site. Please refer to the stipulations appended to this report.

## **TENURE**

The tenure of the proposed interests is understood to be leasehold, the proposed terms are detailed below.

## **OCCUPATIONAL LEASES AND OTHER AGREEMENTS**

It is understood that leases are to be granted to 2 tenants. The salient points of these leases are as follows:

### **Ground Floor/Basement (Library)**

Tenant: Norfolk County Council

Demise: edged purple on plan

Term: 125 years

Initial Rent: nil

Review: Year 40 to MR thereafter every 20 years (for permitted use)

Mutual Breaks: Break clauses in years 40, 60, 80, 100 and 120. The landlord has the right to break the remaining lease if one of the tenants invokes its break clause;

Service Charge: cleaning, maintenance etc of retained areas, common parts, shared services (with lettable areas) inc heating, air con, data/telecommunications, h&c water,

Insurance: Landlord & recharge to tenant

User: education

Alienation: assignment & subletting of whole with consent

Repair:

Tenant – internal. Landlord

Alteration: non structural only with consent

Security of Tenure: Contracted Out

## **Upper Floors**

Tenant: East Coast College

Demise: edged blue on plan

Term: 125 years

Initial Rent: nil

Review: Year 40 to MR (for permitted use) thereafter every 20 years

Mutual Breaks: Break clauses in years 40, 60, 80, 100 and 120. The landlord has the right to break the remaining lease if one of the tenants invokes its break clause;

Service Charge: cleaning, maintenance etc of retained areas, common parts, shared services (with lettable areas) inc lighting, heating, h&c water, air con, data/telecommunications, h&c water,

Insurance: Landlord & recharge to tenant

User: education

Alienation: assignment & subletting of whole with consent

Repair:

Tenant – internal. Landlord

Alteration: non structural only with consent

Security of Tenure: Contracted Out

It is understood that the rent review and break provisions in both leases are still being negotiated and as a result valuations are required with and without these clauses.

## **MARKET TRENDS AND GENERAL COMMENTS**

There is no direct evidence available for the use proposed, the rental values adopted are therefore primarily based on office rental values being the nearest alternative use. It is stressed however that occupational demand in the town for offices is extremely limited as is recent transactional evidence.

## **VALUATION**

Having considered matters we have formed the following opinions:

### **Market Rent**

1. The current Market Rent of the Library unit on the open market as described above as at 22nd February 2023 is in the region of £164,000 (One Hundred and Sixty Four Thousand Pounds) per annum.
2. The current Market Rent of the Further Education unit on the open market as described above as at 22nd February 2023 is in the region of £103,000 (One Hundred and Three Thousand Pounds) per annum.

### **Capital Value**

3. The Market Value of the leasehold interest in the Library unit as described above on the open market, as at 22nd February 2023 is in the region of £1,000,000 (One Million Pounds)
4. The Market Value on the same basis as above but on the special assumption that there is no provision in the lease to review the annual rent and no option to break is in the region of £1,563,000 (One Million Five Hundred and Sixty Three thousand pounds)
5. The Market Value of the leasehold interest in the Further Education unit as described above on the open market, as at 22nd February 2023 is in the region of £593,000 (Five Hundred and Ninety Three Thousand pounds).
6. The Market Value on the same basis as above but on the special assumption that there is no provision in the lease to review the annual rent and no option to break is in the region of £858,000 (Eight Hundred and Fifty Eight thousand pounds)

In arriving at the Market Value, the valuer has adopted the investment approach applying a yield of 10.5% to the Market Rent in respect of the ground floor, and 12% to the upper floors. This is adjusted in the valuation of the lease including the Market Rent reviews to reflect the disadvantages in investment terms associated with the receipt of a profit rent for a period of only 40 years.

The Capital Value of the tenants interest increases according to the length of the rent free period offered as is demonstrated in the differences in the values quoted in 3 & 4 and 5 & 6 above.

The valuer's opinion of Market Rent was primarily derived from analysis of comparable recent market transactions on arm's length terms however please note the comments above in this regard. A rate of £8 per ft<sup>2</sup> has been adopted in respect of the ground floor, £36 per ft<sup>2</sup> for the café, and £5 per ft<sup>2</sup> for the upper floors. The yield adopted has been derived from analysis of available recent market evidence.

### **Appendix 1 - Schedule of Comparable Evidence**

## Rental Transactions

### Office

#### Town Centre Offices Available to let

##### 25-26 Hall Quay - East

Ground floor office 2268ft<sup>2</sup>, Asking £14,750 pa/£6.50ft, 4 parking spaces, town centre location.

##### 21-22 Hall Quay

1st floor suite, refurbished, 3 parking spaces, 984ft<sup>2</sup> marketed for several years at £12,000 pa £12.19 p/ft - let to East Commercial under a licence agreement at £5 p/ft

##### 83 North Quay - East

Ground floor office, refurbished, 404 ft<sup>2</sup> asking £5,196 pa/£12.86 ft<sup>2</sup>

Suite 1, Ground floor, 21 Hall Quay (former HSBC) Term: 10-20 Years from 2014, initial rent: £30,000 pa + service charge, Review 5 yearly, IR ext repairs recharged via service charge – Virtual FRI, user: Solicitors offices, newly refurbished offices, comfort cooling, parking. 3525 ft<sup>2</sup>/£8.51 p/ft

Copperfield House, The Conge, term 75 yrs from 1987, Rent £5,568 reviews 5 years to 8% MR, 2012, 17 & 22 reviews not implemented, FRI, User Offices, Modern (1987) 2 storey office with lift, parking, MR £69,600/ NIA 9910ft<sup>2</sup> (disregarding T's Imp) = £7.02 p/ft

#### Excalibur Road, Beacon Park

Unit 1 – Ground floor office suite approx. 1,000ft<sup>2</sup>, 6 parking spaces, 3 years from Jan 22, £12,500pa Virtual FRI - £12.50ft<sup>2</sup>

Unit 3 – 2 storey office building approx. 2,500ft<sup>2</sup>, terms agreed for new 3 years lease Virtual FRI at £30,000pa, tenancy at will granted from April 22 pending completion of lease - £12ft<sup>2</sup>

Unit 4 – Ground floor office suite approx. 1,000ft<sup>2</sup>, 6 parking spaces, 3 years from Oct 21, virtual FRI, 5 parking spaces, £7,939 yr 1 then 12,500pa, ave £10,979pa - £11ft<sup>2</sup>

Commercial Freehold Sales

Address	Type	Accommodation	Price	Date
100 High Street Lowestoft	Office/Retail Investment	Shop let sole trader 9 year lease 2021 @ £11,000 pa  Rear Office let 5 years from 2018 £5,000pa	£150,000  Initial Rent £16,000pa 10.67%	26-10-22
179 180 181 King Street Great Yarmouth Norfolk NR30 1LS	Freehold Retail Investment	3 x 3 storey retail units (1 vacant), let to HSBC 10 years from 2012 & River Island 5 years from 2017, rent passing £122,300, potential fully let £184,800	£750,000  Initial yield 16.3%, potential 24.5%	Dec 19
34 Market Place Gt Yarmouth	Freehold retail investment	Grade II listed 3 storey retail premises close to subject let to Yours retail ltd 10 years from 2019 at £22,500pa, 598.71 sq m	£230,000 Yield 9.8%	July 2019
36 North Quay Great Yarmouth Norfolk	Leasehold Office Investment	1980s 3 storey office block with parking let 5 years at £100,000pa, ground lease exp 2079 rent £600pa	£700,000 Yield 14.2%	March 2018

Source: Rightmove/Auction House

## Appendix 2 – Location Plan

