

# ASL

Chartered Surveyors & Valuers

## Valuation Report

The Old Lyric Hall, Clifford Street  
Barrow-in-Furness  
LA14 2NJ



# Valuation Report

The Old Lyric Hall, Clifford Street, Barrow-in-Furness, LA14 2NJ

Inspected by	Date of Inspection
Mal Ashall MRICS	Friday 13 <sup>th</sup> October 2023



## Executive Summary

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### Capital Values

<b>Market Value</b>	£1,336,000
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### Tenure & Tenancies

<b>Tenure</b>	Freehold.
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<b>Tenancy</b>	Future redevelopment. No tenancies in place.
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### Size

<b>Site Size</b>	0.07 acres.
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### Likely Demand and Likely Purchasers

<b>Likely Demand</b>	The property would be attractive to prospective purchasers if offered on the open market as evidenced by the recent evidence of comparable sales.
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<b>Likely Purchasers</b>	Local and regional Developers, PropCos, Operators.
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## Introduction

**Report Date** 17<sup>th</sup> October 2023  
**Valuation Date** 17<sup>th</sup> October 2023  
**Addressee** St David Group, Suite 4, 3<sup>rd</sup> Floor Refuge House, Water Gate South Row, Chester, CH1 2LE

**The Site** The Old Lyric Hall, Clifford Street, Barrow-in-Furness, LA14 2NJ

**Previous Involvement and Conflicts of Interest** We confirm that we have had no previous involvement with the property.

**Status of Valuer** You have instructed us to act as an External valuer as defined in the current version of the RICS Valuation – Global Standards.

Malcolm Ashall MSc MRICS CIWFM



**Purpose and Basis of Valuation** You have requested us to carry out a Valuation for Corporate Strategy purposes only.

The Valuation will be on the basis of:

Market Value on the special assumption that the proposed development obtains the necessary planning consents, has been completed in line with the proposed specification, is operated under the proposed management contract, and is let on short-term deals on open market terms (stabilised value).

**Market Value** as defined in the current edition of the RICS Valuation – Global Standards.

**Compliance with Valuation Standards** The Valuation has been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the “Red Book”) current as the Valuation date.

The site has been valued by a valuer who is qualified for the purpose of the Valuation in accordance with the Red Book. We confirm that we have sufficient local and national knowledge of the particular property market involved and have the skills and understanding to undertake the Valuation competently.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject site. Other valuers may reach different conclusions as to the value of the subject site. This Valuation is for the sole purpose of providing the intended user with the valuer's independent professional opinion of the value of the subject site as at the Valuation Date.

## Property Details

<p><b>Location / Situation</b></p>	<p>Barrow-in-Furness is the main administrative and commercial centre within the Lake District. The town is located on the west coast of Cumbria, approximately 80 miles south of Carlisle, 45 miles west of Lancaster and 70 miles north of Manchester.</p> <p>The town is linked to the M6 (Junction 36) via the A590 trunk road, with the motorway being 33 miles north-east of the town. There is a rail service to London Euston via Lancaster, with a journey time of approximately 3 hours 56 minutes.</p> <p>The population within the primary catchment area of Barrow is 106,000. Principal employers within Barrow-in-Furness include BAE Systems and Kimberley Clarke.</p> <p>The subject property is situated on Clifford Street within the centre of Barrow-in-Furness. The immediate locality comprises predominantly terraced housing, however, the property is located a short walking distance from the town centre's key amenities. Nearby occupiers include HSBC, The Range, B&amp;M, Everlast and B&amp;Q.</p> <p>The property is well-connected being located less than 1 mile from Barrow-in-Furness Station, the town's principal commuter station. The station connects to Whitehaven, Workington and Carlisle to the north, via the Cumbrian Coast Line and to Ulverston, Grange-over-Sands and Lancaster to the east, via the Furness Line.</p>
<p><b>Description – as Existing</b></p>	<p>The property comprises a two-storey former brick warehouse which is currently vacant and requires refurbishment. We understand that the property has recently obtained planning consent to convert the property to provide a ten-bedroom co-living / HMO property.</p>
<p><b>Description – Redevelopment</b></p>	<p>Despite the property's recent planning consent, we have been advised that the property's owner considers there to be stronger demand for short-term letting accommodation. The strong market dynamics for short-term accommodation</p>

<b>Property Details</b>	
	<p>in Barrow-in-Furness are primarily driven by direct and indirect employees of BAE Systems PLC. The company is the largest defence contractor in Europe and employs over 10,000 people in its Barrow-in-Furness base. Many employees working within the town have family homes elsewhere and accordingly only require short-term accommodation from Monday to Friday.</p> <p>The property's current planning consent requires the occupants to use the rooms as their principal residence and therefore if the property were let on a short-term basis, the owner would be in contravention of its planning classification.</p> <p>We have been provided with the proposed business plan and specification of the short-term accommodation. The scheme will provide ten short-term let bedrooms which will be completed to a high quality specification throughout. We have been advised that the estimated capex to reposition the asset in line with the proposed specification is c.£525,000. Key specification features include:</p> <ul style="list-style-type: none"> <li>• Keyless entry system</li> <li>• High speed internet access</li> <li>• Fully equipped kitchen</li> <li>• Double bed</li> <li>• Dining table and chairs</li> <li>• Occasional chair</li> <li>• Desk with built-in vanity unit</li> <li>• En-suite bathroom</li> <li>• Large wardrobe</li> <li>• Smart flat screen TV</li> </ul>
<b>Site Area</b>	We have utilised Edozo's Mapping System to measure the subject site. The site extends to approximately 0.07 acres.
<b>Accommodation</b>	We have relied upon the floor areas provided by the owner's marketing material. We understand the floor areas are based on Architect's Drawings and have been calculated on a Gross Internal Area basis. We set out the scheme's accommodation below:

Property Details																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Bedroom (Incl. En-Suite)</th> <th style="background-color: #0056b3; color: white;">GIA (sq m)</th> </tr> </thead> <tbody> <tr><td>Bedroom 1</td><td>27</td></tr> <tr><td>Bedroom 2</td><td>28</td></tr> <tr><td>Bedroom 3</td><td>29</td></tr> <tr><td>Bedroom 4</td><td>29</td></tr> <tr><td>Bedroom 5</td><td>21</td></tr> <tr><td>Bedroom 6</td><td>19</td></tr> <tr><td>Bedroom 7</td><td>24</td></tr> <tr><td>Bedroom 8</td><td>27</td></tr> <tr><td>Bedroom 9</td><td>25</td></tr> <tr><td>Bedroom 10</td><td>32</td></tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: center;"><b>261</b></td> </tr> </tbody> </table>	Bedroom (Incl. En-Suite)	GIA (sq m)	Bedroom 1	27	Bedroom 2	28	Bedroom 3	29	Bedroom 4	29	Bedroom 5	21	Bedroom 6	19	Bedroom 7	24	Bedroom 8	27	Bedroom 9	25	Bedroom 10	32	<b>Total</b>	<b>261</b>
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<b>Services and Amenities</b>	<p>We understand that the subject site is located in an area served by mains gas, electricity, water and drainage. Enquiries regarding the availability of utilities/services to the proposed development are outside the scope of our report. In the absence of third-party reports being provided to us, we have assumed that sufficient capacity exists to service the proposed development.</p>																								
<b>Repair and Condition</b>	<p>In the absence of any information to the contrary, we have assumed that:</p> <ul style="list-style-type: none"> <li>(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the site;</li> <li>(b) the site is free from rot, infestation, structural or latent defect;</li> <li>(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, are used in the construction of, or subsequent alterations or additions to, the property; and</li> <li>(d) the services, and any associated controls or software, are in working order and free from defect.</li> </ul>																								
<b>Hazardous Deleterious Materials</b>	<p>We have assumed that no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, will be used in the construction of, or subsequent alterations or additions to, the subject site.</p>																								
<b>Environmental Considerations</b>	<p>We have not carried out any investigations into past or present uses, soil survey or environmental investigations, either of the site or of any neighbouring land, to establish whether there is any potential for contamination from such uses or sites, or other environmental risk factors and have therefore assumed that none exists. In addition, we assume:</p>																								

<b>Property Details</b>	
	<ul style="list-style-type: none"> <li>• Any processes which are to be carried out on the site which are regulated by environmental legislation are properly licensed by the appropriate authorities;</li> <li>• The site is not adversely affected by any existing or proposed environmental law;</li> <li>• Invasive species such as Japanese Knotweed are not present on the site; and</li> <li>• High voltage electrical supply equipment may exist within, or in close proximity of, the Property. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future valuation of the Property. Our Valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.</li> </ul>
<b>Flood Risk</b>	<p>According to Gov.UK, the subject site has a low risk from surface water flooding and a very low risk of flooding from rivers and sea.</p> <p>We assume that the flood risk assessment has no material impact on the subject site in terms of mortgageability and/or insurability that could materially affect the capital value, and that sufficient flood defences are in place.</p>
<b>Town Planning</b>	<p>We have consulted Westmorland &amp; Furness Council in respect of the subject property's planning history. We set out recent planning applications below:</p> <ul style="list-style-type: none"> <li>• Application reference: B20/2023/0310</li> <li>• Proposal: Proposed change of use of Old Lyric Hall to two Houses in Multiple Occupation (HMO'S) – one four bed unit and one six bed unit with associated works including the creation of new window openings.</li> <li>• Decision: Approved.</li> <li>• Decision date: 04/03/2023</li> </ul>
<b>Business Rates</b>	<p>The property was deleted from the Rating List on 20/07/2023 due to being a 'Building Under Reconstruction'. The property will therefore not have any business rates liability.</p>
<b>VAT</b>	<p>We have not been advised whether the property is elected for VAT. All rents and capital values stated in this report are exclusive of VAT.</p>
<b>Building Regulations</b>	<p>We assume the site complies with all statutory and local authority requirements including building, fire and health and safety regulations.</p>
<b>Title / Tenure</b>	<p>We have not been provided with a Report on Title. We understand that the site is held freehold under Title Number: CU286334. St David Clifford Ltd is the registered proprietor.</p>

## Property Details

Tenancy	The subject site is currently held with full vacant possession and therefore there are no tenancies in place.
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## Market Commentary

### Market Overview

The Bank of England may be nearing the peak of the rate tightening cycle following the latest quarter point hike, but the guidance it provided in the accompanying communication suggests it would be premature to anticipate an early reversal of recent moves. This is being reflected in the response from money market which is captured in Chart 1. Significantly, while fears about how high rates could go has eased, the first cut is not anticipated until the second half of next year. Moreover, even over the medium term the cost of money is seen as settling at a much higher level than households and businesses have grown accustomed to. Critically, the Bank's commentary indicates that the base rate will need to remain "sufficiently restrictive for sufficiently long to return inflation to the 2% target". Chart 2 highlights the recent improvement in the headline inflation number which has slipped back below 8% but it also draws attention to what appears to be a more resilient trend in the 'core' figure (which excludes energy, food, alcohol and tobacco). This is also reflected in the still strong trend in wage growth; regular pay is currently showing a year on year gain in excess of 7% led by the private sector and, in particular, the finance and business services segment (around 9%). However, there are some signs emerging of the tight conditions in the labour market beginning to ease. The number of vacancies has fallen by close to 300k to just over one million from the high watermark. As a result, the number of unemployed people per vacancy has edged up to 1.3 in recent months. Alongside this, public expectations for inflation in 12 months' time have slipped to 4.3%, according to the monthly survey conducted by Citi and YouGov. Unsurprisingly, the Bank's latest macro forecasts envisage a weaker profile for GDP than was assumed when it last updated its numbers back in May. For next year, it is now pencilling in just 0.5% (down from +0.75%) with the 2025 projection put at only 0.25% (from +0.75% previously); by any stretch of the imagination this is an anaemic profile for the economy (Chart 3). Against this backdrop, the Bank is predictably judging that unemployment will edge higher but interestingly, the central scenario is still only assuming a move towards the 5% area by the middle of 2026. So far, the incoming newsflow on activity is still a little mixed. July's composite PMI fell to a six-month low of 50.8 from 52.8 in June, signalling only a marginal rise in private sector activity. On the other hand, mortgage approvals increased to an eight-month high according to the latest numbers. Meanwhile, the headline GfK consumer confidence index retreated a little over the past month and remains in negative territory but significantly less so than at the start of the year. In addition, the component tracking whether this is a good climate to make 'major purchases' is showing a broadly similar picture.

Transaction activity remained subdued in the second quarter with data from Lambert Smith Hampton suggesting that it only amounted to £7.4bn. To put this in some context, that figure is 11% lower

## Market Overview

than the weak number recorded in the previous three month period and a hefty 41% below the (quarterly) five year average (Chart 4). The office sector was the main drag on the latest data with ongoing uncertainty about the implications of hybrid working and the cost of remediation to meet sustainability requirements contributing to the softer tone. This pattern is also evident in the latest RICS Commercial Property Monitor. Chart 5 captures the occupier demand metric in net balance terms for the three main CRE sectors looking back to the final part of 2022. Although the retail demand indicator is still most deeply in negative territory, the Q2 reading was little different from Q1. For offices, there is clear evidence that the improvement reported in the early months of this year has been reversed. That said, the picture around offices remains rather more nuanced with best in class assets continuing to change hands at relatively aggressive yields while also commanding premium rents.

The most recent RICS dataset highlights the extent of the polarisation in its forward looking indicators. For example, prime office capital values are seen as being broadly unchanged over the course of the next twelve months according to respondents to the survey while secondary assets are viewed as likely to post a further decline in prices of in the region of 5%. The projections for rents are not dissimilar with prime offices anticipated to record a modest rise with the rest of the market facing rather more downward pressure; the central view is now for a further fall of 4% in the latter. Feedback to the survey, meanwhile, shows the appeal of alternative assets remains solid with expectations for rental growth particularly strong for housing related products (BTR, student) even if the scope for capital gain has diminished. The generally cautious mood around real estate is clearly captured in the RICS indicator focused on where the market currently is in the cycle (Chart 6). Around 70% of respondents perceive the market to be in the downturn phase with another 15% seeing it as being at the bottom. However, it is noteworthy that despite another round of tightening from the Bank of England, three-fifths of contributors view the market as offering fair value. This arguably reflects, in part, the sharp drop in headline capital values (around 20% according to CBRE) that has already taken place.

## FAIR MAINTAINABLE TRADE

### Assessment of Fair Maintainable Trade

Our valuation is based on an estimate of the maintainable level of trade (Fair Maintainable Turnover ("FMT")) and future profitability (Fair Maintainable Operating Profit ("FMOP")) that a competent operator of a business conducted on the premises acting in an efficient manner (the Reasonably Efficient Operator ("REO")) would expect to achieve. The concept involves estimating the market's perception of the earnings potential of the property having regard to its inherent characteristics and prevailing market conditions rather than the actual level of trade under the existing ownership.

We have been provided with the proposed business plan and specification of the short-term accommodation. The scheme will provide ten short-term let bedrooms which will be completed to a high-quality specification throughout. We have been advised that the estimated capex to reposition the asset in line with the proposed specification is c.£525,000. We would note that assuming the scheme is completed in line with the proposed specification and costings, we are of the opinion that the completed development would provide a superior offering to the majority of the Aparthotel and Budget Hotel accommodation within the town centre market.

There is currently a dearth of high-quality short-term accommodation within the Barrow-in-Furness market and there is also growing occupational demand primarily as a consequence of growing BAE Systems' employees' need for short-term accommodation. BAE Systems is the largest defence contractor in Europe and employs over 10,000 people in its Barrow-in-Furness base. The Ministry of Defence has recently awarded £3.95 billion of funding to BAE Systems for the next phase of the UK's next-generation nuclear-powered attack submarine programme, known as SSN-AUKUS. The award will fund significant infrastructure investment at BAE Systems' site in Barrow-in-Furness, investment in its supply chain and recruitment of a more than 5,000 additional staff.

It is well known that many employees working within the town have permanent residence elsewhere and accordingly only require short-term accommodation

Property	Average Nightly Room Rate (incl VAT)
Holiday Inn Express	£140
The Townhouse	£104
The Duke of Edinburgh	£104
Abbey Apartments	£105
Jefferson's Apartments	£105

from Monday to Friday. Consequently, demand for this type of property is growing within the Barrow-in-Furness sub-market with limited development in the supply pipeline.

We would note the following competing schemes in the locality.

The comparable schemes reflect the mid-point range price point of hotel / aparthotel accommodation within Barrow-in-Furness. We consider the Holiday

## FAIR MAINTAINABLE TRADE

Inn Express to provide a superior offering to the proposed scheme and would therefore expect the property to achieve an Average Daily Room Rate (ADR) at a discount to this level. Accordingly, we would expect an ADR in the region of £105.

We are aware that UK Aparthotels achieved an occupancy rate of 73.3% in 2022 (Booking.com). Occupancy rates are not available for towns such as Barrow-in-Furness specifically, however, according to

Booking.com the average occupancy in for Cumbria (excluding the Lake District

Estimated Sustainable Trade	
No. of Units	10
ADR (incl VAT)	£105
Average Occupancy	70%
RevPar (incl VAT)	£73.50
Fair Maintainable Turnover (Net of VAT)	£223,560
Average Annual Fixed and Variable Costs (Net of VAT)	30% of Average Annual Revenue
Profit (pre profit share management agreement)	£156,228

National Park) was 54% over the same period. Notwithstanding, given the strong supply / demand dynamics in Barrow-in-Furness due to large employer growth and inward investment, it is reasonable to assume Barrow-in-Furness would be higher than the Cumbria average. Accordingly, we would expect an average occupancy of 70% which results in a RevPar of £73.50.

We would expect fixed and variable costs to be c.30% of annual gross income generated. We set out a summary of our Estimated Sustainable Trade below:

We would note, however, that there would typically be base management fees, leasing fees and incentive fees as part of a management agreement arrangement. In accordance with your instructions, we have valued the property under the special assumption that the proposed profit share management agreement is in place. We have been advised that the proposed profit share agreement arrangement will see the owner / investor receive the first 8.00% per annum rental yield and the balance will then be split equally between the owner / investor and the operator. This is an alternative approach to the operator receiving base management and leasing fees. We will expand on this in subsequent sections of this report.

## FAIR MAINTAINABLE TRADE

### Sales Transactional Evidence

We set out a number of pertinent hotel / serviced apartments investment comparables below:

DATE	HOTEL	ROOMS	PRICE	PRICE PER ROOM
Available	Waterview Deluxe Serviced Apartments, Barrow-in-Furness	12	£950,000 (asking)	£79,167
Available	Miller Howe, Windermere	15	£3m (asking)	£200,000
Available	Ash Cottage Hotel	8	£1.390m (asking)	£173,750
Q2 2021	Waterhead Hotel	41	£6,000,000	£146,341
Q3 2020	Churchill Inn, Ambelside	18	£2,250,000	£125,000
Q1 2020	The Pheasant Inn, Bassenthwaite	15	£2.250m (asking)	£150,000
Q3 2019	Oak Bank Hotel, Grasmere	13	£1.5 m (asking)	£115,000
Q3 2018	Bridge Hotel, Prestbury	23	£2.5m	£108,000
Q3 2018	Inglewood Manor, Wirral	29	Circa £4.5m	£155,000
Q1 2016	Linthwaite Manor, Lake District	30	£7.25m	£241,000
Q1 2016	Rothay Manor, Ambleside	19	Asking price of £2.4m	£126,315
Q1, 2016	Soughton Hall, North Wales	15	Undisclosed	Undisclosed

The hotel transactions above show a range of values on a price per room basis. We would usually analyse transactional evidence based on a multiple of EBITDA/Net Profit. However, due to the confidential nature of these transactions and the differing views on trading accounts and also different recovery patterns of certain businesses, the price per key is also a useful metric.

We have reviewed this evidence within the context of the proposed scheme and under the special assumptions set out above. Whilst it does not represent a completed transaction, we consider the Waterview Deluxe Serviced Apartments to provide useful evidence as to the property's underlying capital value. The scheme occupies a similar quality location to the property in Barrow-in-Furness and is used for short-stay accommodation over 12 rooms. The quote price of £950,000, reflects £79,167 per room and an initial yield of 9.47% based

## FAIR MAINTAINABLE TRADE

on an EBITDA of c.£90,000 per annum. We have spoken to the local agent who has advised that the property has received strong interest and a number of proposals below the quoting price at 10%+. We understand that the vendor will not dispose of the property at the pricing levels received. We consider the comparable to provide older accommodation of an inferior specification quality to the proposed scheme and accordingly would expect the property to achieve higher ADR, occupancy, and RevPar rates which in turn would attract a pricing premium.

Having regard to the above and the strengths and weaknesses of the proposed scheme, on balance we would expect an investor to require a net initial yield of 9.50% to the sustainable EBITDA.

Valuation	
Estimated Operating Profit	£156,228
Capitalisation Yield	11.00%
Gross Value	£1,420,254
Net Value (5.96% Purchaser's Costs)	£1,335,607
8.00% investor / owner priority net initial rental yield	£106,848
Balance (Split Equally)	£49,380
Investor / Owner Entity Share	£24,690
Total Owner / Investor Profit Income	£131,538
Investor / Owner Net Initial Yield	10.15%

As mentioned above, the proposed profit share agreement arrangement will see the owner / investor receive the first 8.00% per annum rental yield and the balance will then be split equally between the owner / investor and the operator. In order to achieve a 9.50% investor return, an 11.00% capitalisation rate would be required based on our opinion of estimated sustainable trade / profit. We set out details of return profile below:

### Methodology

We have referred to guidance provided in the Red Book Valuation Practice Guidance – Application 4 (“VPGA 4”), which relates specifically to trade related valuations and sets out the principles of the profits method, which is adopted for the capital valuation of properties normally sold on the basis of their trading potential.

We highlight that our valuations have been carried out on the basis of a projection of revenue, costs and net operating income and based on our

<b>FAIR MAINTAINABLE TRADE</b>	
	<p>estimation of the level of trading performance that a “reasonably efficient operator” might expect to achieve. We have also based our valuation on the special assumptions set out below:</p>
<b>Market Value – Trading</b>	<p>We are of the opinion that the Market Value of the property on the special assumption that the proposed development obtains the necessary planning consents, has been completed in line with the proposed specification, is operated under the proposed management contract, and is let on short-term deals on open market terms (stabilised value) is:</p> <p style="text-align: center;"><b>£1,336,000 (One Million Three Hundred &amp; Thirty Six Thousand Pounds) exclusive of VAT.</b></p>

APPENDIX 1 – LOCATION PLANS







## APPENDIX 2 – Photographic Record