



Valuation Office
Agency

DVS Property Specialists
for the Public Sector

Valuation Report for
Brook Square Surgery
Trafalgar Street West
Scarborough
YO12 7AS



Report for:
David Iley
NHS England &
Improvement

Prepared by:
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1. Introduction

I refer to your instructions dated 17th January 2022 and my Terms of Engagement dated 24th January 2022.

I have inspected and valued the property and I am pleased to report to you as follows.

2. Valuation Parameters

2.1 Identification of Client

David Iley, NHS England and Improvement

2.2 Purpose of Valuation

I understand that Brook Square Surgery is subject to rent reimbursement under the NHS Premises Directions 2004. You have requested valuation advice to assess whether the lease that has been drawn up represents “value for money” for the NHS.

2.3 Subject of the Valuation

Brook Square Surgery, Trafalgar Street West, Scarborough, YO12 7AS

2.4 Date of Valuation

The date of valuation is 1st March 2022.

Please note that values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

2.5 Confirmation of Standards

The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book.

Compliance with the RICS Professional Standards and Valuation Practice Statements gives assurance also of compliance with the International Valuations Standards (IVS).

Measurements stated are in accordance with the RICS Professional Statement '**RICS Property Measurement' (2nd Edition), Guidance Note 60 'Valuation of Medical Centres and Surgery Premises'** and, where relevant, the **RICS Code of Measuring Practice (6th Edition)**.

2.6 Agreed Departures from the RICS Professional Standards

There are no departures beyond those restrictions on the extent of investigations and survey, and the assumptions, stated below.

2.7 Basis of Value

Market Rent

The basis of value adopted is Market Rent which is defined at VPS 4, para 1.3 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.'

It should be noted that the Market Rent basis of value would normally be used to indicate the amount for which a vacant property may be let, or for which a let property may re-let when the existing lease terminates. Market Rent is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used in the assessment.

Current Market Rent

For the purposes of the report, I have had regard to the definitions of Current Market Rent as contained in the NHS Directions 2004. The reimbursement rent will be considered in respect of leased premises in accordance with NHS Directions and therefore the terms of the proposed lease are important and will impact on the rental value.

For leasehold premises, the calculation of CMR is based on the actual lease terms granted to an occupier. The necessary adjustments to take into account the lease terms are covered under the 2004 Directions.

2.8 Special Assumptions

The following agreed special assumptions have been applied:

1. The area and number of car parking spaces adopted for the purposes of the 2017 rent review will be utilised here.
2. The reversionary lease drawn up in 2014 and commencing in September 2025 for a term of 13 years has not been approved by DVS.

2.9 Nature and Source of Information Relied Upon

In addition to relying upon VOA held records and information, I have assumed that all information provided by, or on behalf of you, in connection with this instruction is correct without further verification – for example, details of tenure, tenancies, planning consents, etc.

My advice is dependent upon the accuracy of this information and should it prove to be incorrect or inadequate, the accuracy of my valuation may be affected.

1. A copy of the proposed new lease between Assura and the GPs.
2. A copy of the reversionary lease which is due to commence in November 2025.

2.10 Date of Inspection

The property was internally inspected on 9th February 2022.

2.11 Extent of Investigations, Survey Restrictions and Assumptions

An assumption in this context is a limitation on the extent of the investigations or enquiries undertaken by the valuer. The following agreed assumptions have been applied in respect of your instruction, reflecting restrictions to the extent of our investigations.

- Such inspection of the property and investigations as the Valuer considered professionally adequate and possible in the particular circumstance was undertaken. This comprised undertaking an internal inspection of the property.
- No detailed site survey, building survey or inspection of covered, unexposed or inaccessible parts of the property was undertaken. The Valuer has had regard to the apparent state of repair and condition, and assumed that inspection of those parts not inspected would neither reveal defects nor cause material alteration to the valuation, unless aware of indication to the contrary. The building services have not been tested and it is assumed that they are in working order and free from defect. No responsibility can therefore be accepted for identification or notification of property or services' defects that would only be apparent following such a detailed survey, testing or inspection.
- It has been assumed that good title can be shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoing.
- It has been assumed that the property and its value are unaffected by any statutory notice or proposal or by any matters that would be revealed by a local search and replies to the usual enquiries, and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant.
- Valuations include that plant that is usually considered to be an integral part of the building or structure and essential for its effective use (for example building services installations), but exclude all machinery and business assets that comprise process plant, machinery and equipment unless otherwise stated and required.
- It has been assumed that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated. However where an inspection was made and obvious signs of such materials or techniques were observed, this will be drawn to your attention and captured in this report.
- No access audit has been undertaken to ascertain compliance with the Equality Act 2010 and it has been assumed that the premises are compliant unless stated otherwise in this report.

- No environmental assessment of the property (including its site) and neighbouring properties has been provided to or by the VOA, nor is the VOA instructed to arrange consultants to investigate any matters with regard to flooding, contamination or the presence of radon gas or other hazardous substances. No search of contaminated land registers has been made. However, where an inspection was made and obvious signs of contamination or other adverse environmental impact were visible this will have been advised to you, further instructions requested and the observations captured in the report.

Where such signs were not evident during any inspection made, it has been assumed that the property (including its site) and neighbouring properties are not contaminated and are free of radon gas, hazardous substances and other adverse environmental impacts. Where a risk of flooding is identified during any inspection made, or from knowledge of the locality, this will be reported to you. The absence of any such indication should not be taken as implying a guarantee that flooding can never occur.

- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

3. Property Information

3.1 Situation

The property is situated in a primarily residential area, on the north eastern edge of Scarborough town centre. It is located directly across the road from Northway Clinic, and across the road from various retail and civic buildings including an Aldi Supermarket, Scarborough Job Centre and Scarborough Justice Centre.

Brook Square Surgery is situated just off the A165, a main road connecting the northern parts of Scarborough with the town centre. The property is located approximately 200m from Scarborough train station.

Scarborough is a town located within North Yorkshire. It is situated on the North Sea coast within eastern England. The property is situated 16 miles south of Whitby and accessed along the A171 and 42 miles north east of York accessed via the A64.

3.2 Description

The property is a three-storey, purpose-built surgery constructed in 2005. It is built of stone, under a pitched slate roof with UPVC double glazed windows. Access to the property is provided via a double set of touch pad doors which lead into the waiting area. The property is located on a very tight site with no room for expansion. Parking for the surgery is situated to the rear of the building and is accessed via an archway running under the first floor of the property. There are 8 car parking spaces in total within the car park.

The GP Practice now occupy the entire property. In 2014, a series of first floor staff offices were converted to clinical rooms. The fit of these rooms is broadly similar to

the original rooms which are located on the ground and part of the remaining first floor. In addition to this, a good number of the clinical rooms have had new vinyl flooring installed over the last few years and some of the lighting has been upgraded to LED lighting.

3.3 Tenure

The property is currently held on a 20-year lease dating from September 2005 between Ashley House Properties Limited (landlord) and the GPs (tenant). In 2014, a reversionary lease was drawn up between the landlord and tenant. This lease will commence when the original lease expires in September 2025 for a term of 13-years. We have no record that this lease has been provided to us and it therefore appears that this document has not been approved by DVS.

The current proposal is that the current lease, dating from 2005 is extinguished and a new lease is implemented from 2022 for a term of 25 years. The consequence of this is that the 2025 reversionary lease will effectively cease to exist. I understand that the reason for the new lease is that the GP Practice is setting themselves up as a company. A longer lease term will increase the security resulting from a change from a tenant comprising named individuals to a company within the lease to the landlord.

3.4 Lease Provisions

1. The lease is for a term of 25 years and the initial yearly rent passing is £156,300pa.
2. The rent reviews will take place every 3 years to Market Rent on an upward only basis. The first rent review is due at 14th September 2023 to keep the rent review pattern in-line with the existing lease.
3. The lease has been determined on a tenant's internal repairing basis. The GPs will maintain the plant and lift but the landlord will replace these items if/when they fall into a state of non-economic repair
4. Brook Square Surgery can be used as a surgery, clinic or primary care centre.
5. The tenant shall not, without the approval of the landlord, make any alterations to the property other than demountable partitions for which landlord's consent is not required.
6. Tenant shall not assign, underlet, charge, part with or share possession or occupation of all or any part of the premises without landlord's consent. The exception is if the assignment is to other GP partners or an NHS body, in which case NHS consent is not required. In addition, the tenant is permitted to share the premises providing that this arrangement does not affect reimbursement.
7. VAT is payable on the rent passing.

3.5 Easements and Restrictions

I am not aware of any easements or restrictions affecting this property.

3.6 Site Area

N/A

3.7 Floor Area

The net internal area of the subject property, measured in compliance with '**RICS Property Measurement' (2nd Edition)**, **RICS Guidance Note 60 'Valuation of Medical Centres and Surgery Premises' (2nd Edition)** and, where relevant, the **RICS Code of Measuring Practice (6th Edition)** is 847sqm

3.8 Accommodation

The property comprises the following accommodation:

Ground floor: waiting area/records store, reception desk and staff office, patient WCs, secondary waiting area, treatment rooms x 2, utility room, consulting rooms x 4

First floor: sub-waiting areas x 2, consulting rooms x 10, treatment room, phlebotomy room, staff office, seminar room, staff kitchen, staff WC and shower, patient access WC

Second floor: staff offices, kitchen, locker room, server room, staff WCs, cleaning cupboard.

Each floor has a corridor running the entire length of the floor plate with rooms leading directly off it. The ground floor is entirely patient space, the first floor has a couple of staff rooms but the majority of the space is access by patients whilst the second floor is entirely a staff area. Each floor is accessed via both a lift and stairs.

A typical consulting room comprises painted and plastered walls, acoustic tiled ceiling, recessed lighting (either category 2 or LED lighting), either a carpet or vinyl non-sealed floor covering, a porcelain sink set into a vanity unit with stainless steel mixer or short levered taps set on the sink, no acoustic door seal and a panic alarm on System 1. The treatment rooms are fitted out in a similar manner to the consulting rooms but they also have fitted storage units and sealed flooring.

3.9 Defects and Repair

The property is in a reasonable overall condition but much of the fit out is now relatively dated. I am not aware of any inherent defects affecting the property.

3.10 Services

It is assumed that mains water and electricity are connected to the property and drainage to a mains system.

3.11 Access and Highways

I have assumed that Trafalgar Street West is a public highway maintainable at public expense.

3.12 Energy Performance Certificate

I have not had sight of an Energy Performance Certificate for this property.

3.13 Planning

I have made no enquiries of the Planning Authority and no information has been received on the property's planning status and potential.

I have assumed as agreed with you, that there are no planning proposals that adversely affect the property.

3.14 Equality Act 2010

Whilst I have had regard to the provisions of the Equality Act 2010 in making this report, I have not undertaken an access audit nor been provided with such a report. It is recommended that you commission an access audit to be undertaken by an appropriate specialist in order to determine the likely extent and cost of any alterations that might be required to be made to the premises or to your working practices in relation to the premises in order to comply with the Act.

3.15 Mineral Stability

The property is not in an underground mining area and a Mining Subsidence Report has not been obtained.

3.16 Environmental Factors Observed or Identified

I did not have sight nor was I made aware of of any abnormal environmental factors during my inspection of the property. According to the Environment Agency's flood map, the property is not at a significant risk of flooding.

3.17 Rateable Value

The current rateable value dating from 1st April 2017 for Brook Square Surgery is £35,500pa.

3.18 Minimum Energy Efficiency Standards (MEES)

In respect of non-exempt domestic and non-domestic property rental properties in England and Wales, I advise as follows.

We have not been provided with an up to date EPC rating for this property and, as such, our valuation is based on the assumption that the subject property will meet the minimum requirements laid down by the Energy Act 2011 and its Regulations and that there will be no adverse impact on value and marketability. It is advisable to obtain an expert's opinion regarding whether an EPC should be commissioned and if the building is likely to meet with the legislative requirements.

4. Valuation

4.1 Valuation Methodology/Approach and Reasoning

This valuation has been undertaken using the comparable method of valuation with reference to rents passing on other comparable medical facilities which have been assessed as part of the Doctor's Rents & Rates Scheme.

4.2 Comparable Evidence

Elvington Medical Practice, York Road, Elvington: 3PD surgery, built in 2004, valued at £177.50/sqm and £300 per car parking space in December 2019.

Mayford House Surgery, Boroughbridge Road, Northallerton: 3PD surgery built in 2000, valued at £177.50/sqm and £350 per car parking space at October 2018

Scorton Medical Centre, Stags Way, Scorton: 3PD surgery built in 2007, valued at £177.50/sqm and £350 per car parking space in May 2019

Mowbray House, Malpas Road, Northallerton: 3PD surgery built in 2001, valued at £177.50/sqm and £375 per car parking space in January 2019

Lawrence House Medical Centre, Belgrave Street, Scarborough: 3PD surgery built in 2004, valued at £178/sqm at March 2021

The best comparable is Lawrence House Surgery as this is a similarly aged property, also located within Scarborough. To reflect that Brook Square Surgery is entirely purpose built – whilst Lawrence House Surgery is part conversion and part purpose built – and the later valuation date, a rent of £181/sqm has been adopted for Brook Square Surgery.

To reflect the small car park and limited car parking options on the surrounding streets, a value of £375/space has been adopted for Brook Square Surgery. This sits at the very top of the evidence listed above.

My valuation breakdown is as follows. Please note that this figure has been agreed with Phil Hume of Assura and differs from the actual figure shown in the draft lease which is £158,000pa:

GF	290	@	£181.00	£	52,490.00	
FF	326	@	£181.00	£	59,006.00	
SF	231	@	£181.00	£	41,811.00	
CPS	8	@	£375.00	£	3,000.00	
			Total	£	156,307.00	Say £ 156,300.00

4.3 Opinion of Value

I am of the opinion that the Market Rent for Brook Square Surgery as at 1st March 2022 is **£156,300 (one hundred and fifty six thousand, three hundred pounds)**. I am of the opinion that the Current Market Rent for Brook Square Surgery from the

same date is **£156,300 (one hundred and fifty six thousand, three hundred pounds)**.

Lease Comments

- 4.4 Repairing and Insuring Liability: The original draft lease states that the tenant is responsible for all repairs and insurance including the replacement of the lift and plant. It was subsequently agreed with Phil Hume that the tenant would be responsible for internal repairs and repairs to the plant and lift whilst the landlord would be responsible for external repairs and insurance and the replacement of the plant and lift. Given that these terms are in line with those adopted in the original 2005 lease, it is my view that the agreed repairing and insuring liabilities are now reasonable.

Lease length: The lease term being discussed by the landlord and GP practice is 25 years. It is my opinion that the lease proposed is overly long for the property in its existing condition. Many of the fittings are relatively dated and are now over 16 years old. If a 25-year lease was agreed then by the end of the term, these fittings would be over 41 years old.

The landlord has stated that they are unable to do any improvement works in return for a longer lease. Looking at the building as it stands, it is my view that the maximum lease I could support would be a 15-year lease, ending in 2037. Given that the reversionary lease is due to end 18 months later in September 2038, I would be prepared to recommend a lease that would also end in September 2038.

VAT: I understand that VAT will be charged on the rent passing and this forms a continuation of the arrangement under the current lease.

- 4.5 Currency

All prices or values are stated in pounds sterling.

- 4.6 VAT

I understand that VAT does not apply to this transaction and my opinion of value reflects this. In the event that my understanding is found to be inaccurate, my valuation should be referred back for reconsideration.

- 4.7 Costs of Sale or Acquisition and Taxation

I have assumed that each party to any proposed transaction would bear their own proper legal costs and surveyor's fees.

No allowance has been made for liability for taxation, whether actual or notional, that may arise on disposal.

- 4.8 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 and to reflect 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, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to 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 is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

5. General Information

5.1 Status of Valuer

It is confirmed that the valuation has been carried out by Alison Mobbs, a RICS Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the valuation competently, and is in a position to provide an objective and unbiased valuation.

5.2 Conflict of Interest

Checks have been undertaken in accordance with the requirements of the RICS standards and have revealed no conflict of interest. DVS has previously valued this property for CMR purposes on behalf of the NHS.

5.3 Restrictions on Disclosure and Publication

The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

5.4 Limits or Exclusions of Liability

Our valuation is provided for your benefit alone and solely for the purposes of the instruction to which it relates. Our valuation may not, without our specific written consent, be used or relied upon by any third party, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our valuation

report. If we do provide written consent to a third party relying on our valuation, any such third party is deemed to have accepted the terms of our engagement.

None of our employees individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.

5.5 Validity

This report remains valid for 6 months from its date unless market circumstances change or further or better information comes to light, which would cause me to revise my opinion.

6. Recommendations

6.1 Summary of key issues / value for money

I am of the opinion that the Market Rent for Brook Square Surgery as at 1st March 2022 is **£156,300 (one hundred and fifty six thousand, three hundred pounds)**. I am of the opinion that the Current Market Rent for Brook Square Surgery from the same date is **£156,300 (one hundred and fifty-six thousand, three hundred pounds)**.

The proposed lease term of 25-years is overly long for the property 'as it stands' and it is for this reason that I cannot recommend this lease as being 'Value for Money' to NHS England and Improvement. The maximum lease term that I can support for Brook Square Surgery is 16.5 years, ending at the same date as the existing reversionary lease in September 2038.

Please note that the other terms of the lease are now acceptable to me. I would however advise that you send me a copy of the final lease to check that the rental figure and repairing and insuring liabilities have been updated and are now consistent with what I have set out in sections 4.2, 4.3 and 4.4.

Finally, I would advise that you consider whether this property and the proposed lease terms fit with your longer-term vision for how GP services will be provided within this area as part of your final decision on whether to approve this lease. Given the size and location of this property, it is possible that you may have different requirements for this facility than what I have recommended here. My advice has been derived from looking at the lease solely on valuation terms.

I trust that the above report is satisfactory for your purposes. However, should you require clarification of any point do not hesitate to contact me further.

Handwritten signature of Alison Mobbs in black ink, with a horizontal line underneath.

Alison Mobbs MRICS
Senior Surveyor
RICS Registered Valuer
DVS

7. Appendices

7.1 Photographs



Treatment Room



Consulting Room with Vinyl Flooring



Consulting Room with Carpet



Consulting room created in 2014



Main Waiting Area



7.2 Plans

