

AFFORDABLE HOUSING VIABILITY REPORT FOR RESIDENTIAL DEVELOPMENT AT THE FORMER WESSEX SITE, 8 NEW LANE, HAVANT, PO9 2JH.

On behalf of Days Estates Ltd

**By Simon Corp BSc (Hons)
18th December 2015**

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1.0 Introduction and Instructions

- 1.1 S106 Affordable Housing Ltd was instructed by Days Estates Ltd to prepare an affordable housing viability study to determine the viable level of affordable housing that can be delivered on the proposed development of the Former Wessex Site, 8 New Lane, Havant, Hampshire PO9 2JH.
- 1.2 The report has been prepared by Simon Corp, I have a BSc (Hons) in Residential Development and 20 years experience in affordable housing development. I am a Director of S106 Affordable Housing Ltd development viability and affordable housing consultancy.
- 1.3 The purpose of the study is to set out the policy background, development details, viability and cost issues and make a case for the level of affordable housing provision the development can viably sustain.
- 1.4 Our methodology will be to carry out a viability assessment without any affordable housing and compare this with the existing use benchmark value of the land, to determine the total development subsidy that is available to fund any affordable housing provision. We then look at the effect on the viability of introducing affordable housing.
- 1.5 The appraisal has been carried out using the HCA Development Appraisal Toolkit (DAT), where information is not available any assumptions made are either in line with industry norms or the default settings of the toolkit.

2.0 Viability Assessment

- 2.1 The site currently occupied by a range of B2 and B8 industrial and storage buildings extending to some 7965 square feet. The proposal is to clear the site and redevelop with a 39no apartments in three separate blocks wrapping around the road frontage with an inner courtyard providing surface car parking and landscaping.
- 2.2 The Havant Borough Council Affordable Housing Policy requires 30-40% as affordable housing on sites providing 15no or more new dwellings. S106 Affordable Housing Ltd has been instructed to assess the viable level of affordable housing provision the site can deliver. A development is deemed viable if the residual land value derived from the proposed scheme is higher than the benchmark land value, with the surplus generated providing a subsidy to deliver the affordable housing. Our methodology will be to assess the residential land value with no affordable housing provision and compare this with the existing use benchmark value of the site to determine if a surplus is generated to fund the provision of affordable housing.
- 2.3 We have appraised the site using the DAT (Economic Appraisal Tool) as all open market sale without the affordable housing to determine the surplus above Existing Use Value. The DAT puts the existing use value of the site in the appraisal as a cost and then calculates if an NPV surplus or deficit is generated, if a surplus is generated this represents the surplus available to fund affordable housing. With all open market housing and no affordable housing the DAT shows a deficit of -£132,482 and therefore no surplus is generated to fund any affordable housing.
- 2.4 The RICS Viability in Planning guidance recommends that viability assessment is benchmarked against the current market value of the land. The site has a current use as a combination of B2 industrial and B8 storage uses, we have been provided with a copy of the current lease which shows a rental income of £25,000pa. In our opinion the buildings are potentially underlet they extend to 7965 square feet and if we apply a conservative £4/ft² rent the income would be £31,860pa. We have however used the lease rent as this can be evidenced as having been achieved in the market, we have capitalised this at an anticipated yield of 9% generating a capital value of £277,778.
- 2.5 It is accepted viability practice that a margin should be added onto base existing use value as landowners margin to encourage them to bring a site forward to the market. This approach has been reinforced in both the RICS Viability in Planning guidance and the Planning Practice Guidance 2014 which states the landowner should receive a “competitive return” to provide sufficient incentive for them to release the land. The usual range is 15% through to 50% but there are no hard and fast rules it should just be the level required to incentivise the owner, in this case we have adopted 20% resulting in a benchmark land value of £333,333.

- 2.6 This existing use value has been utilised in the DAT and results in a negative surplus, so no subsidy is generated to fund any affordable housing provision.
- 2.7 The adopted affordable housing policy will require up to 30-40% affordable housing provision on site. To model a policy compliant appraisal we have assumed all of block C would be delivered as affordable rent and there would be 6no shared ownership units in block B mixed with open market units. This equates to 36% provision, on this basis the DAT deficit increases to -£700,843 compounding the viability pressure and clearly demonstrating delivery of affordable housing on this site is not viable.
- 2.8 We have also explored if a change of affordable housing tenure will improve the viability position. We have run a further viability appraisal with all the affordable housing delivered as shared ownership, this improves the deficit to- £428,208 but this is still clearly not viable.
- 2.9 The toolkits have been produced in line with the HCA guideline that grant funding will not be supported on s106 units, however in exceptional circumstances grant can be introduced where there is viability pressure. The regional average grant level is £25,000 a unit which on the subject site would generate an additional public subsidy of £350,000. On the mixed affordable appraisal the viability gap is over £700,000 so introducing grant funding will not provide sufficient subsidy to bridge the viability gap.
- 2.10 We have not allowed for any s106 contributions in our assessment but have included for CIL calculated using the Havant Borough Council CIL calculator on the net increase in floor area.
- 2.11 It should be noted the viability assessment has been carried out based on BCIS median costs but with no allowance for any remediation costs if the site is found to be contaminated. We have established it is not viable to provide affordable housing without introducing these costs, if these were included the viability pressure would be further increased.
- 2.12 In summary as the viability appraisal shows a negative NPV deficit the development is unable to viably deliver any affordable housing on site or a commuted sum payment.
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3. Policy Background

Havant Borough Core Strategy

- 3.1 Havant Borough Council affordable housing policy is contained within the Core Strategy which was adopted in March 2011.
- 3.2 The affordable housing Policy CS9 states that planning permission will be granted for housing proposals that will deliver on average 30-40% affordable housing on sites of 15no dwellings or more and secure a suitable contribution, or on-site provisions, equivalent to on average 30-40% on smaller housing developments between 5no and 14no dwellings (gross), unless a lesser requirement has been transparently justified on viability grounds.

Planning for Growth Statement 23rd March 2011

- 3.3 A ministerial statement by Greg Clarke outlined the government's intention to increase flexibility in the planning system to ensure that it does not stifle economic development. In particular the statement says that in deterring planning applications Local Authorities need to be sensitive to the fact that local economies can change and the need to ensure they do not place unnecessary burdens on a development.
- 3.4 The statement goes on to say that unviable s106 agreements should be re-Considered and where possible modify applications to allow developments to proceed.

National Planning Policy Framework March 2012

- 3.5 The National Planning Policy Framework (hereafter referred to as NPPF) contains an overarching policy principle that there should be a presumption in favour of sustainable development, meaning that Local Authorities should positively seek development opportunities to meet the needs of their area, unless:
 - any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or
 - specific policies in this Framework indicate development should be restricted.
- 3.6 Local Authorities should proactively drive and support sustainable economic development to deliver the homes, business and industrial units,

infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth.

- 3.7 The document goes on to say that plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.
- 3.8 Local Authorities should avoid the long term protection of sites for employment use if there is no reasonable prospect of this being taken up for that purpose.
- 3.9 Looking more specifically at housing delivery it states “use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period”.

- 3.10 There is a need to ensure there will be the right balance of housing to meet need and demand the framework states;

deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- Plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- Identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.”

3.11 The framework reinforces previous policy statements that planning requirements should maintain economic viability, the framework states “pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”

3.12 The framework states that planning obligations normally required under s106 agreements should only be sought where they meet all of the following tests:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and
- Fairly and reasonably related in scale and kind to the development.
- Where obligations are being sought or revised, local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.
- Planning conditions should only be imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects.

Housing and Growth Statement 6th September 2012

3.13 The Secretary of State for Communities and Local Government (Rt Hon Eric Pickles MP said on the 6th September 2012 “The Coalition Government’s number one priority is to get the economy growing. We must create the conditions that support local economic growth and remove barriers that stop local businesses creating jobs and getting Britain building again.”

3.14 He went on to say “It is vital that the affordable housing element of Section 106 agreements negotiated during different economic conditions is not allowed to undermine the viability of sites and prevent any construction of new housing. This results in no development, no regeneration and no

community benefits at all when agreements are no longer economically viable.”

Planning Practice Guidance March 2014

- 3.15 The Department for Communities and Local Government provided Planning Practice Guidance on 6th March 2014. This includes a section on viability, site specific viability is covered in the section Viability and Decision Taking.
- 3.16 The practice note states that *“in making decisions, the local planning authority will need to understand the impact of planning obligations on the proposal. Where an applicant is able to demonstrate to the satisfaction of the local planning authority that the planning obligation would cause the development to be unviable, the local planning authority should be flexible in seeking planning obligations.”*
- 3.17 The note goes on to say this is particularly relevant for affordable housing payments and these should not be sought without regard to scheme viability.
- 3.18 It then continues to set out some general principles on how the principle variables; gross development value, costs, existing value and landowners return should be calculated and evidenced. This is really a summary of established known good practice in the sector.

Statement by Brandon Lewis, Housing and Planning Minister 9th November 2015

- 3.19 The statement was issued in response to the reduction in affordable rent levels to encourage Local Authorities to apply flexibility to viability negotiations.
- 3.20 It states “We would urge planning authorities to respond constructively, rapidly and positively to requests for such renegotiations and to take a pragmatic and proportionate approach to viability. Where it is simply proposed that the tenure mix is adjusted, with the overall affordable housing contribution remaining the same, it is our view that this is unlikely to justify reopening viability by either side. We would ask local authorities to expedite such renegotiations so they can be dealt with in a timely manner, and avoid action which might result in unnecessary delay.

The statement goes on to say “The Government attaches great importance to the effective and flexible negotiation of Section 106 planning obligations, including on affordable housing, and intends to introduce a dispute resolution mechanism to help speed up Section 106 negotiations”

4 Cost and Values

Benchmark Land Value

- 4.1 The RICS Viability in Planning guidance recommends that viability assessment is benchmarked against the current market value of the land. The site has a current use as a combination of B2 industrial and B8 storage uses, we have been provided with a copy of the current lease which shows a rental income of £25,000pa. In our opinion the buildings are potentially underlet they extend to 7965 square feet and if we apply a conservative £4/ft² rent the income would be £31,860pa. We have however used the lease rent as this can be evidenced as having been achieved in the market, we have capitalised this at an anticipated yield of 9% generating a capital value of £277,778.
- 4.2 It is accepted viability practice that a margin should be added onto base existing use value as landowners margin to encourage them to bring a site forward to the market. This approach has been reinforced in both the RICS Viability in Planning guidance and the Planning Practice Guidance 2014 which states the landowner should receive a “competitive return” to provide sufficient incentive for them to release the land. The usual range is 15% through to 50% but there are no hard and fast rules it should just be the level required to incentivise the owner, in this case we have adopted 20% resulting in a benchmark land value of £333,333.

Sales values

- 4.3 We have undertaken an internet based market research assessment of comparable property values within a half mile radius of the site. We looked at a range of comparables and identified one bedroom apartments in the range of £125,000-£175,000 and the two bedroom apartments in the range of £175,000-£225,000. These values have been analysed on a floor area basis to determine the average sales value per square metre and the one bedroom apartments equate to £2,839 per square metre and the two bedroom apartments £2,996 per square metre.
- 4.4 These values are based on local second hand comparables but the proposed development will command a newbuild premium so we have increased these values by 5% to £2,981 per square metre for the one bedroom and £3,146 per square metre for the two bedroom apartments.
- 4.5 We have also looked at recent sold transactions in the last 6 months, 17 Compton Court, Chidham Close is a two bedroom apartment which sold for £124,000 in October 2015. 5 Grove Court, Grove Road is a two bedroom apartment which sold for £167,500 in September 2015. 4 Hillcrest Mews, South St is a newbuild two bedroom apartment which

sold for £187,500 in August 2015. All of these are below the proposed pricing range.

4.6 We therefore have the following range of sales values in the DAT:

One bedroom flat	£149,050- £180,351
Two bedroom flat	£213,613- £229,123

4.7 The actual price achieved will be dependent on market conditions at the time of marketing, competitor developments and the completed specification and finishes.

Construction Costs

4.8 In line with normal viability practice we have used the BCIS average price service to determine likely construction costs using the median cost rate. For 3-5 storey apartments the relevant rate is £1,267 per square metre.

4.9 BCIS rates exclude cost allowances for external works so we have added on the rule of thumb allowance of 15% to fund the internal courtyard car parking areas, hard and soft landscaping, formation of the undercroft access and any external works around the perimeter of the site. The build cost rate including external works used in the DAT is therefore £1,457 per square metre.

4.10 BCIS data provides an evidential base for estimating the construction costs as it is based on actual tender returns, in this case a sample size of 529 tenders. However we would comment that the contracting market is currently quite overheated with demand far outstripping sub-contractor capacity resulting in increasing trades rates. In addition material costs are increasing with an extended call off period compounding the cost pressure. As a practice we project manage new housing developments and we are rarely seeing tendered build costs of less than £1,800 per square metre for a project of this type.

4.11 We have not made any allowance for any additional abnormal costs, should the site be contaminated this would increase costs and compound the viability pressure.

4.12 We have separately allowed for design fees at 7% and contingency of 5% both of which are below the default values of the toolkit.

Profit

4.13 We have set developers profit at 18% on the private sale units and 6% for the affordable housing. Over the last few years the benchmark profit level has been 20% but with an improving market and more competition

for land developers have been reducing margins to secure land deals, so there is a view that lower profit margins are now appropriate.

- 4.14 However we do consider this to be on the lowest end of the spectrum, most mainstream funders demand a higher profit level to attract debt finance. Mezzanine and equity finance partners would expect much higher rates but on a smaller share of the costs typically 30-40% of the total borrowing.
- 4.15 For a standard housing site we would normally adopt profit at 17.5% of GDV but apartments schemes have greater inherent risk as the whole block needs to be complete before sale completion can be achieved, so we consider there needs to be a slightly uplifted level of profit to counter balance the increased risk.

Affordable Housing Inputs

- 4.16 We have assumed the affordable housing will be delivered as all affordable rent in block C and shared ownership in part of block B. This equates to a tenure split of 57% rented and 43% shared ownership.
- 4.17 We have set the affordable housing rents at 80% of the average market rent providing a weekly affordable rent of £110.34pw for the one bedroom apartments and £147.13 for the two bedroom apartment. It should be noted that in the last budget it was announced that affordable rent levels should reduce by 1%pa over the next four years, this will have a negative effect on affordable housing capital values but this has not been factored into the appraisals.
- 4.18 The shared ownership has been based on 40% initial sale shares and a rent on the unsold equity at the HCA maximum rent level of 2.75%.
- 4.19 In line with HCA guidance that grant funding will not be supported on s106 schemes we have not allowed for any grant funding in the appraisals.
- 4.20 The gross affordable income has been capitalised at a sector average yield of 6% and all other revenue costs are at the default values of the toolkit.

5. Other Model Assumptions and Inputs

- 5.1 The basis for assumptions on sales values, construction costs and profit are set out in section 5.

Programme

- 5.2 The EAT assumes a 6 month lead in to site start for detail design, building regulations approval, lining up sub-contract packages and site set up. The contract period is 18 months with a sales period of 12 months. On the all open market appraisal this equates to a sales rates of 3.25 units a month which we consider to be at the upper level of the potential range.

S106 Contributions

- 5.3 We have not allowed for the s106 contributions but we have included in the appraisal a CIL payment based on the net increase in floor area on the site. On the affordable housing appraisal we have applied CIL to the open market units only as we assume the affordable units would qualify for the social housing relief.

Interest Rates

- 5.4 We have used a finance rate of 6.25% which is in our experience a typical level. The availability of development finance remains an issue with very few of the major banks still actively lending to residential development companies. Those still in the market can “pick and choose” deals to fund and expect to see healthy margins.

Sales and marketing costs

- 5.5 We have allowed for an allowance of 3% of gross sales value for sales and marketing this will cover a sales agent of 2% and additional allowances for a show home production of marketing material and advertising and promotion.

Surplus (Deficit) from Input land valuation at 9/12/2015**-£132,482****HCA DEVELOPMENT APPRAISAL TOOL****SCHEME**

Site Address Former Wessex Plant Site, 8 New Lane, Havant, PO9 2J Date of appraisal 09/12/2015
 Site Reference
 File Source Net Residential Site Area (ha)
 Scheme Description Author & Organisation Simon Corp S106 Affordable Housing Ltd
 Registered Provider (where applicable)
Housing Mix (Affordable + Open Market)

Total Number of Units	39 <i>units</i>
Total Number of Open Market Units	39 <i>units</i>
Total Number of Affordable Units	0 <i>units</i>
Total Net Internal Area (sq m)	2,286 <i>sq m</i>
% Affordable by Unit	0.0%
% Affordable by Area	0.0%
Density	No Area input <i>units/ hectare</i>
Total Number of A/H Persons	0 <i>Persons</i>
Total Number of Open Market Persons	0 <i>Persons</i>
Total Number of Persons	0 <i>Persons</i>
Gross site Area	0.00 <i>hectares</i>
Net Site Area	0.00 <i>hectares</i>
Net Internal Housing Area / Hectare	- <i>sq m / hectare</i>

Average value (£ per unit)	Open Market Phase 1:	Open Market Phase 2:	Open Market Phase 3:	Open Market Phase 4:	Open Market Phase 5:	Total
1 Bed Flat Low rise	£4,547,814	£0	£0	£0	£0	£4,547,814
2 Bed Flat Low rise	£2,392,376	£0	£0	£0	£0	£2,392,376
3 Bed Flat Low rise	£0	£0	£0	£0	£0	£0
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	£0
1 Bed Flat High rise	£0	£0	£0	£0	£0	£0
2 Bed Flat High rise	£0	£0	£0	£0	£0	£0
3 Bed Flat High rise	£0	£0	£0	£0	£0	£0
4 Bed + Flat High rise	£0	£0	£0	£0	£0	£0
2 Bed House	£0	£0	£0	£0	£0	£0
3 Bed House	£0	£0	£0	£0	£0	£0
4 Bed + House	£0	£0	£0	£0	£0	£0
Total Revenue	£6,940,189	£0	£0	£0	£0	£6,940,189
Net Area (sq m)	2,286	-	-	-	-	2,286
Revenue (£ / sq m)	£3,036	-	-	-	-	-

CAPITAL VALUE OF OPEN MARKET SALES**£6,940,189**

Capital Value of Private Rental

Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	£0

CAPITAL VALUE OF OPEN MARKET HOUSING**BUILD COST OF OPEN MARKET HOUSING inc Contingency****£4,265,017** £ 1,530 psqm**£6,940,189**

£ 2,489 psqm

CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING**£2,675,173****AH Residential Values****AH & RENTAL VALUES BASED ON NET RENTS**

Type of Unit	Social Rented	Shared Ownership (all phases)	Affordable Rent (all phases)	Total
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House				
3 Bed House				
4 Bed + House				
	£0	£0	£0	£0

£ psqm of CV (phase 1)

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)**£0**

RP Cross Subsidy (use of own assets)

£0

LA s106 commuted in lieu

£0

RP Re-cycled SHG

£0

Use of AR rent conversion income

£0

Other source of AH funding

£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING**£0****CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)****£0****BUILD COST OF AFFORDABLE HOUSING inc Contingency****£0**

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CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING**£0****Car Parking**

No. of Spaces	Price per Space (£)	Value
-	-	£0

Value of Residential Car Parking

£0

Car Parking Build Costs

£0**Ground rent**

Capitalised annual ground rent

Social Rented		£0	
Shared Ownership		£0	
Affordable Rent		£0	
Open market (all phases)		£0	
Capitalised Annual Ground Rents			£0
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME			£6,940,189
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£4,265,017	
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			£2,675,173
Non-Residential			
	Cost		Values
Office	£0		£0
Retail	£0		£0
Industrial	£0		£0
Leisure	£0		£0
Community Use	£0		£0
Community Infrastructure Levy	£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME			£0
COSTS OF NON-RESIDENTIAL SCHEME		£0	
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			£0
GROSS DEVELOPMENT VALUE OF SCHEME			£6,940,189
TOTAL BUILD COSTS		£4,265,017	
TOTAL CONTRIBUTION TO SCHEME COSTS			£2,675,173
External Works & Infrastructure Costs (£)		Per unit	
Site Preparation/Demolition	£0		
Roads and Sewers	£0		
Services (Power, Water, Gas, Telco and IT)	£0		
Strategic Landscaping	£0		
Off Site Works	£0		
Public Open Space	£0		
Site Specific Sustainability Initiatives	£0		
Plot specific external works	£0		
Other 1	£0		
Other 2	£0		
	£0		
Other site costs			
Fees and certification	7.0%	£284,334	7,291
Other Acquisition Costs (£)		£0	
Site Abnormals (£)			
De-canting tenants		£0	
Decontamination		£0	
Other		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Other 5		£0	
		£0	
Total Site Costs inc Fees		£284,334	7,291
Statutory 106 Costs (£)			
Education		£0	
Sport & Recreation		£0	
Social Infrastructure		£0	
Public Realm		£0	
Affordable Housing		£0	
Transport		£0	
Highway		£0	
Health		£0	
Public Art		£0	
Flood work		£0	
Community Infrastructure Levy		£223,029	5,719
Other Tariff		£0	
Other 1		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Statutory 106 costs		£223,029	5,719
Marketing (Open Market Housing ONLY)			
Sales/letting Fees	3.0%	£208,206	5,339
Legal Fees (per Open Market unit):	£500	£19,500	500
Marketing (Affordable Housing)			
Developer cost of sale to RP (£)		£0	
RP purchase costs (£)		£0	
Intermediate Housing Sales and Marketing (£)		£0	
Total Marketing Costs		£227,706	
Total Direct Costs		£5,000,086	
Finance and acquisition costs			
Land Payment		£333,333	8,547 per OM home
Arrangement Fee		£34,125	7.2% of interest
Misc Fees (Surveyors etc)		£8,000	0.12% of scheme value
Agents Fees		£3,333	
Legal Fees		£0	
Stamp Duty		£0	
Total Interest Paid		£472,952	
Total Finance and Acquisition Costs		£851,743	
Developer's return for risk and profit			

Residential

Market Housing Return (inc.OH) on Value	18.0%	£1,249,234	32,032 per OM unit
Affordable Housing Return on Cost	0.0%	£0	per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit

Non-residential

Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£0

Total Operating Profit £1,249,234
 (i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	£7,101,063
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Surplus/(Deficit) at completion 1/1/2019	(£160,874)
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Present Value of Surplus (Deficit) at 9/12/2015	(£132,482)
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Scheme Investment IRR 97.4% (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value 4.8% Peak Cash Requirement -£5,481,302

Site Value per hectare No area input per hectare No area input per acre

**Capitalised annual
ground rent**

Social Rented		£0	
Shared Ownership		£0	
Affordable Rent		£0	
Open market (all phases)		£0	
Capitalised Annual Ground Rents			£0
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME			£5,701,558
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£4,265,017	
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			£1,436,541
Non-Residential			
	Cost		Values
Office	£0		£0
Retail	£0		£0
Industrial	£0		£0
Leisure	£0		£0
Community Use	£0		£0
Community Infrastructure Levy	£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME			£0
COSTS OF NON-RESIDENTIAL SCHEME		£0	
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			£0
GROSS DEVELOPMENT VALUE OF SCHEME			£5,701,558
TOTAL BUILD COSTS		£4,265,017	
TOTAL CONTRIBUTION TO SCHEME COSTS			£1,436,541
External Works & Infrastructure Costs (£)			
		Per unit	
Site Preparation/Demolition	£0		
Roads and Sewers	£0		
Services (Power, Water, Gas, Telco and IT)	£0		
Strategic Landscaping	£0		
Off Site Works	£0		
Public Open Space	£0		
Site Specific Sustainability Initiatives	£0		
Plot specific external works	£0		
Other 1	£0		
Other 2	£0		
	£0		
Other site costs			
Fees and certification	7.0%	£284,334	7,291
Other Acquisition Costs (£)		£0	
Site Abnormals (£)			
De-canting tenants		£0	
Decontamination		£0	
Other		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Other 5		£0	
		£0	
Total Site Costs inc Fees		£284,334	7,291
Statutory 106 Costs (£)			
Education		£0	
Sport & Recreation		£0	
Social Infrastructure		£0	
Public Realm		£0	
Affordable Housing		£0	
Transport		£0	
Highway		£0	
Health		£0	
Public Art		£0	
Flood work		£0	
Community Infrastructure Levy		£137,518	3,526
Other Tariff		£0	
Other 1		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
		£0	
Statutory 106 costs		£137,518	3,526
Marketing (Open Market Housing ONLY)			
		per OM unit	
Sales/letting Fees	3.0%	£127,442	5,098
Legal Fees (per Open Market unit):	£500	£12,500	500
Marketing (Affordable Housing)			
		per affordable unit	
Developer cost of sale to RP (£)		£25,000	1,786
RP purchase costs (£)		£84,000	6,000
Intermediate Housing Sales and Marketing (£)		£0	
Total Marketing Costs		£248,942	
Total Direct Costs		£4,935,811	
Finance and acquisition costs			
Land Payment		£333,333	13,333 per OM home
Arrangement Fee		£34,125	9.0% of interest
Misc Fees (Surveyors etc)		£8,000	0.14% of scheme value
Agents Fees		£3,333	
Legal Fees		£0	
Stamp Duty		£0	
Total Interest Paid		£379,898	
Total Finance and Acquisition Costs		£758,690	
Developer's return for risk and profit			

Residential

Market Housing Return (inc.OH) on Value	18.0%	£764,652	30,586 per OM unit
Affordable Housing Return on Cost	6.0%	£93,442	6,674 per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit

Non-residential

Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£0

Total Operating Profit £858,094
 (i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	£6,552,595
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Surplus/(Deficit) at completion 1/1/2019	(£851,037)
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Present Value of Surplus (Deficit) at 9/12/2015	(£700,843)
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Scheme Investment IRR 95.7% (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	5.8%	Peak Cash Requirement	-£3,970,743
--	------	-----------------------	-------------

Site Value per hectare	No area input per hectare	No area input per acre
------------------------	---------------------------	------------------------

Social Rented		£0	
Shared Ownership		£0	
Affordable Rent		£0	
Open market (all phases)		£0	
Capitalised Annual Ground Rents			£0
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME			£5,994,917
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£4,265,017	
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			£1,729,901
Non-Residential			
Office	Cost		Values
Retail	£0		£0
Industrial	£0		£0
Leisure	£0		£0
Community Use	£0		£0
Community Infrastructure Levy	£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME			£0
COSTS OF NON-RESIDENTIAL SCHEME		£0	
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			£0
GROSS DEVELOPMENT VALUE OF SCHEME			£5,994,917
TOTAL BUILD COSTS		£4,265,017	
TOTAL CONTRIBUTION TO SCHEME COSTS			£1,729,901
External Works & Infrastructure Costs (£)			
Site Preparation/Demolition	£0	Per unit	
Roads and Sewers	£0		
Services (Power, Water, Gas, Telco and IT)	£0		
Strategic Landscaping	£0		
Off Site Works	£0		
Public Open Space	£0		
Site Specific Sustainability Initiatives	£0		
Plot specific external works	£0		
Other 1	£0		
Other 2	£0		
Other site costs			
Fees and certification	7.0%	£284,334	7,291
Other Acquisition Costs (£)		£0	
Site Abnormals (£)			
De-canting tenants	£0		
Decontamination	£0		
Other	£0		
Other 2	£0		
Other 3	£0		
Other 4	£0		
Other 5	£0		
Total Site Costs inc Fees		£284,334	7,291
Statutory 106 Costs (£)			
Education	£0		
Sport & Recreation	£0		
Social Infrastructure	£0		
Public Realm	£0		
Affordable Housing	£0		
Transport	£0		
Highway	£0		
Health	£0		
Public Art	£0		
Flood work	£0		
Community Infrastructure Levy		£137,518	3,526
Other Tariff	£0		
Other 1	£0		
Other 2	£0		
Other 3	£0		
Other 4	£0		
Statutory 106 costs		£137,518	3,526
Marketing (Open Market Housing ONLY)			
Sales/letting Fees	3.0%	£127,442	5,098
Legal Fees (per Open Market unit):	£500	£12,500	500
Marketing (Affordable Housing)			
Developer cost of sale to RP (£)		£25,000	1,786
RP purchase costs (£)		£84,000	6,000
Intermediate Housing Sales and Marketing (£)		£0	
Total Marketing Costs		£248,942	
Total Direct Costs		£4,935,811	
Finance and acquisition costs			
Land Payment	£333,333	13,333 per OM home	8,547 per home
Arrangement Fee	£34,125	10.0% of interest	
Misc Fees (Surveyors etc)	£8,000	0.13% of scheme value	
Agents Fees	£3,333		
Legal Fees	£0		
Stamp Duty	£0		
Total Interest Paid	£342,197		
Total Finance and Acquisition Costs		£720,988	
Developer's return for risk and profit			

Residential

Market Housing Return (inc.OH) on Value	18.0%	£764,652	30,586 per OM unit
Affordable Housing Return on Cost	6.0%	£93,442	6,674 per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit

Non-residential

Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£0

Total Operating Profit

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation) **£858,094**

TOTAL COST	£6,514,893
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Surplus/(Deficit) at completion 1/1/2019**(£519,976)****Present Value of Surplus (Deficit) at 9/12/2015****(£428,208)****Scheme Investment IRR****96.5%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value

5.6%

Peak Cash Requirement

-£3,661,450

Site Value per hectare

No area input per hectare

No area input per acre

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 28-Nov-2015 12:20

➤ Rebased to Havant (107; sample 21)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Flats (apartments)							
Generally (15)	1,329	641	1,102	1,271	1,509	4,562	794
1-2 storey (15)	1,240	744	1,064	1,206	1,373	2,411	188
3-5 storey (15)	1,308	641	1,098	1,267	1,500	2,656	529
6+ storey (15)	1,706	967	1,361	1,641	1,822	4,562	73

Market Research for Former Wessex Plant, 8 New Lane, Havant PO9 2JH

<u>One Bed Flat Address</u>	<u>Type</u>	<u>Sale Price £</u>	<u>Sale Date</u>	<u>Area m2</u>	<u>£Price/m2</u>
Milestone Point, Havant PO9	Flat	£125,000		46.9	2,665
White Ladies Close, Havant PO9	Flat	£129,950		43.6	2,980
Elmleigh House, Leigh Road, Havant PO9	Flat	£137,000		51.3	2,670
Havant PO9	Flat	£175,000		57.9	3,022
		£566,950		199.7	£2,839
<u>Two Bed Flat Address</u>					
Havant PO9	Flat	£175,000		69.4	2,521
Havant PO9	Flat	£209,950		65.9	3,185
Havant PO9	Flat	£215,000		68.2	3,152
Beaconsfield Road, Waterlooville PO8	Flat	£225,000		71.8	3,133
		£824,950		275.3	£2,996



Beals, Havant
10 West Street, Havant, PO9 1PF

02382 092233 local call rate



www.rightmove.co.uk/property/49459450

1 bedroom apartment for sale

Milestone Point

Sold STC
£125,000



Property Description

Key features

- ONE BEDROOM APARTMENT
- OPEN PLAN LIVING
- BALCONY WITH GREAT VIEWS
- FITTED KITCHEN
- IDEAL INVESTMENT WITH TENANT IN SITU
- TOWN CENTRE LOCATION
- DOUBLE BEDROOM WITH STORAGE
- MODERN LIVING
- FITTED BATHROOM WITH SHOWER

* 46.9m²

Full description



Chapplins Estate Agents, Havant
6 Market Parade, Havant, PO9 1QF

02382 092107 local call rate



www.rightmove.co.uk/property/49283504

1 bedroom property for sale
White Ladies Close, Havant

£129,950



* 43.6m²



Henry Adams, Emsworth
15 North Street, Emsworth, PO10 7BY
03301 011462 local call rate


www.rightmove.co.uk/property/36923403

1 bedroom flat for sale

Elmleigh House, Leigh Road, Havant, PO9

Under Offer
£137,000



* 51.3m²



Pearsons, Havant
7 North Street, Havant, PO9 1PW
02382 200028 local call rate



www.rightmove.co.uk/property/38246400

1 bedroom ground floor flat for sale
Havant

Sold STC
£175,000



* 57.9m²



Pearsons, Havant
7 North Street, Havant, PO9 1PW

02382 200028 local call rate



www.rightmove.co.uk/property/38246307

2 bedroom flat for sale

Havant

Sold STC
£175,000



* 69.4m²



Pearsons, Havant
7 North Street, Havant, PO9 1PW

02382 200028 local call rate



www.rightmove.co.uk/property/38246301

2 bedroom flat for sale

Havant

Under Offer
£209,950



* 65.9m²

balcony view





Town And Country Southern, Drayton
141 Havant Road, Drayton, Portsmouth, PO6 2AA

02393 277288 local call rate



www.rightmove.co.uk/property/50963584

2 bedroom apartment for sale

Havant, Hampshire

Sold STC
£215,000



* 68.2m²



Leaders, Waterlooville
75b London Road Waterlooville PO7 7EL

02382 200279 local call rate



www.rightmove.co.uk/property/36940650

2 bedroom flat for sale

Beaconsfield Road, Waterlooville

£225,000



* 71.8m²



Mann Lettings, Waterloooville
11 Wellington Way, Waterloooville, PO7 7ED

02393 822006 local call rate

1 bedroom apartment to rent

Market Parade



www.rightmove.co.uk/property/38304597

£133 pw | £575 pcm
fees apply



Property Description



Pearsons, Havant
7 North Street, Havant, PO9 1PW
02382 200029 local call rate

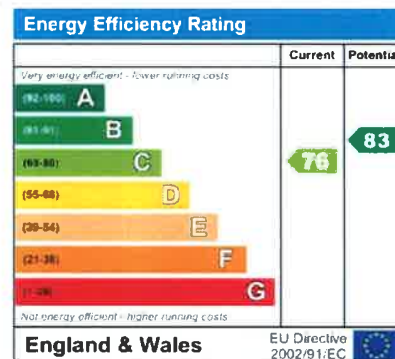


www.rightmove.co.uk/property/52313230

1 bedroom flat to rent

WELLINGTON COURT - HAVANT - UNFURN

£144 pw | £625 pcm
fees apply



Property Description

Letting information:

Date available:	Now
Furnishing:	Unfurnished
Deposit:	£725
Letting type:	Long term
Added on Rightmove:	03 December 2015 (3 days ago)

Key features



Our goal is to provide our clients with an un-rivalled, personally tailored, package



SBK Property Consultants, Park Gate
Canterbury House, 58 Botley Road, Park Gate, SO31 1BB

01489 339076 local call rate



www.rightmove.co.uk/property/52310323

2 bedroom apartment to rent

Bedhampton, Havant, Hampshire

£183 pw | £795 pcm
fees apply



DATED

14 December 2015

LEASE

relating to

8 NEW LANE HAVANT

between

REL WINCHESTER LTD

and

JLE HAVANT LIMITED

and

MICHAEL EAMES

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THIS LEASE is dated 14 December 2015

PARTIES

- (1) **REL WINCHESTER LTD** incorporated and registered in England and Wales with company number 08780355 whose registered office is at Printware Court Cumberland Business Centre Northumberland Road Portsmouth PO5 1DS (**Landlord**).
- (2) **JLE HAVANT LIMITED** incorporated and registered in England and Wales with company number 7920848 whose registered office is at 8 New Lane Havant Hampshire PO9 2JH (**Tenant**).
- (3) **MICHAEL EAMES** of

(**Guarantor**).

AGREED TERMS

1. INTERPRETATION

The following definitions and rules of interpretation apply in this lease.

1.1 Definitions:

Act of Insolvency:

- (a) the taking of any step in connection with any voluntary arrangement or any other compromise or arrangement for the benefit of any creditors of the Tenant or any guarantor;
- (b) the making of an application for an administration order or the making of an administration order in relation to the Tenant or any guarantor;
- (c) the giving of any notice of intention to appoint an administrator, or the filing at court of the prescribed documents in connection with the appointment of an administrator, or the appointment of an administrator, in any case in relation to the Tenant or any guarantor;
- (d) the appointment of a receiver or manager or an administrative receiver in relation to any property or income of the Tenant or any guarantor;
- (e) the commencement of a voluntary winding-up in respect of the Tenant or any guarantor, except a winding-up for the purpose of amalgamation or reconstruction of a solvent company in respect of which a statutory declaration of solvency has been filed with the Registrar of Companies;
- (f) the making of a petition for a winding-up order or a winding-up order in respect of the Tenant or any guarantor;

- (g) the striking-off of the Tenant or any guarantor from the Register of Companies or the making of an application for the Tenant or any guarantor to be struck-off;
- (h) the Tenant or any guarantor otherwise ceasing to exist (but excluding where the Tenant or any guarantor dies); or
- (i) the presentation of a petition for a bankruptcy order or the making of a bankruptcy order against the Tenant or any guarantor.

The paragraphs above shall apply in relation to a partnership or limited partnership (as defined in the Partnership Act 1890 and the Limited Partnerships Act 1907 respectively) subject to the modifications referred to in the Insolvent Partnerships Order 1994 (SI 1994/2421) (as amended), and a limited liability partnership (as defined in the Limited Liability Partnerships Act 2000) subject to the modifications referred to in the Limited Liability Partnerships Regulations 2001 (SI 2001/1090) (as amended).

Act of Insolvency includes any analogous proceedings or events that may be taken pursuant to the legislation of another jurisdiction in relation to a tenant or guarantor incorporated or domiciled in such relevant jurisdiction.

Annual Rent: rent at an initial rate of £25,000 (TWENTY FIVE THOUSAND POUNDS) per annum and then as revised pursuant to this lease..

CDM Regulations: the Construction (Design and Management) Regulations 2015 (SI 2015/51).

Contractual Term: a term of 3 years beginning on, and including the date of this lease and ending on, and including ~~[DATE]~~. 13 December 2015

Default Interest Rate: 4 % per annum above the Interest Rate.

Insurance Rent: the aggregate in each year of the gross cost of the premium before any discount or commission for the insurance of:

- (a) the Property, other than any plate glass, for its full reinstatement cost (taking inflation of building costs into account) against loss or damage by or in consequence of the Insured Risks, including costs of demolition, site clearance, site protection and shoring-up, professionals' and statutory fees and incidental expenses, the cost of any work which may be required under any law and VAT in respect of all those costs, fees and expenses;
- (b) loss of Annual Rent of the Property; and
- (c) any insurance premium tax payable on the above.

Insured Risks: means fire, explosion, lightning, earthquake, storm, flood, bursting and overflowing of water tanks, apparatus or pipes, impact by aircraft and articles dropped from them, impact by vehicles, riot, civil commotion and any other risks against which the Landlord decides to insure against from time to time and **Insured Risk** means any one of the Insured Risks.

Interest Rate: the base rate from time to time of Barclays Bank plc or if that base rate stops being used or published then a comparable commercial rate reasonably determined by the Landlord.

LTA 1954: Landlord and Tenant Act 1954.

Permitted Use: storage/workshops and ancillary office use.

Property: the land and building at 8 New Lane Havant Hampshire PO9 2JH shown edged red on the attached plan.

Rent Payment Dates: the first day of each month.

Reservations: all of the rights excepted, reserved and granted to the Landlord by this lease.

Service Media: all media for the supply or removal of heat, electricity, gas, water, sewage, energy, telecommunications, data and all other services and utilities and all structures, machinery and equipment ancillary to those media.

Third Party Rights: all rights, covenants and restrictions affecting the Property including the matters referred to at the date of this lease in the property and entry number 1 of the charges register of title number HP512265

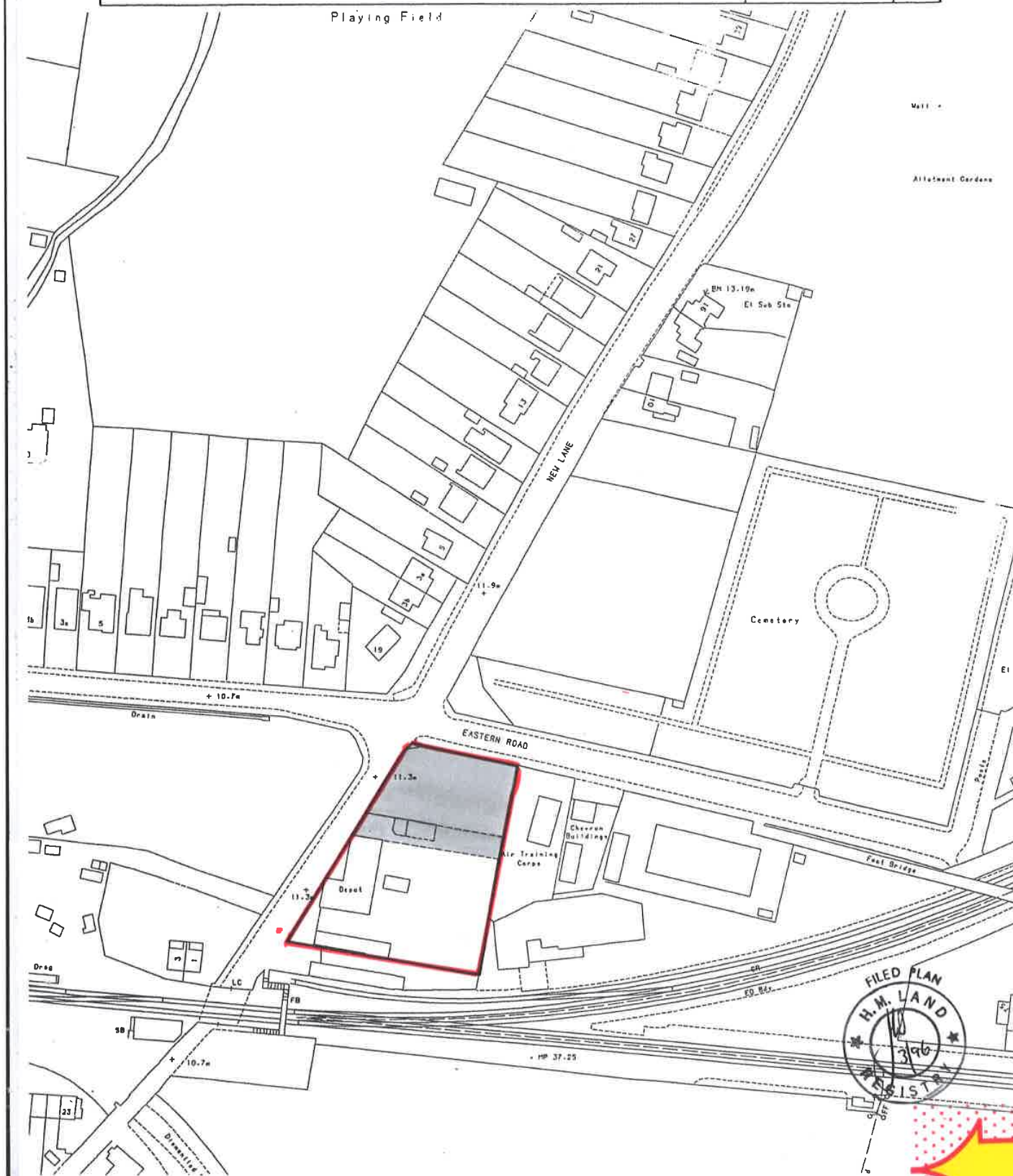
Underleases: the underleases the details of which are set out Schedule 1.

VAT: value added tax chargeable under the VATA 1994 and any similar replacement tax and any similar additional tax.

VATA 1994: Value Added Tax Act 1994.

- 1.2 A reference to this **lease**, except a reference to the date of this lease or to the grant of this lease, is a reference to this deed and any deed, licence, consent, approval or other instrument supplemental to it.
- 1.3 A reference to the **Landlord** includes a reference to the person entitled to the immediate reversion to this lease. A reference to the **Tenant** includes a reference to its successors in title and assigns. A reference to a **guarantor** includes a reference to the Guarantor and to any other guarantor of the tenant covenants of this lease including a guarantor who has entered into an authorised guarantee agreement.
- 1.4 In relation to any payment, a reference to a **fair proportion** is to a fair proportion of the total amount payable, determined conclusively (except as to questions of law) by the Landlord.
- 1.5 The expressions **landlord covenant** and **tenant covenant** each has the meaning given to it by the Landlord and Tenant (Covenants) Act 1995.

H.M. LAND REGISTRY		TITLE NUMBER	
		HP 512265	
ORDNANCE SURVEY PLAN REFERENCE	SU7206		Scale 1/1250
COUNTY	HAMPSHIRE	DISTRICT	HAVANT
			©Crown Copyright



- 1.6 Unless the context otherwise requires, a reference to the **Property** is to the whole and any part of it.
- 1.7 A reference to the **term** is to the Contractual Term.
- 1.8 A reference to the **end of the term** is to the end of the term however it ends.
- 1.9 References to the **consent** of the Landlord are to the consent of the Landlord given in accordance with clause 34.5 and references to the **approval** of the Landlord are to the approval of the Landlord given in accordance with clause 34.6.
- 1.10 A **working day** is any day which is not a Saturday, a Sunday, a bank holiday or a public holiday in England.
- 1.11 A reference to laws in general is a reference to all local, national and directly applicable supra-national laws as amended, extended or re-enacted from time to time and shall include all subordinate laws made from time to time under them and all orders, notices, codes of practice and guidance made under them.
- 1.12 Unless otherwise specified, a reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time and shall include all subordinate legislation made from time to time under that statute or statutory provision and all orders, notices, codes of practice and guidance made under it.
- 1.13 Any obligation on the Tenant not to do something includes an obligation not to allow that thing to be done and an obligation to use best endeavours to prevent that thing being done by another person.
- 1.14 Unless the context otherwise requires, any words following the terms **including, include, in particular, for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- 1.15 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- 1.16 A reference to **writing** or **written** includes fax but not email.

- 1.17 Unless the context otherwise requires, references to clauses and Schedules are to the clauses and Schedules of this lease and references to paragraphs are to paragraphs of the relevant Schedule.
- 1.18 Clause, Schedule and paragraph headings shall not affect the interpretation of this lease.
- 1.19 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.20 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

2. GRANT

- 2.1 At the request of the Guarantor, the Landlord lets with full title guarantee the Property to the Tenant for the Contractual Term.
- 2.2 The grant is made subject to the Underleases.
- 2.3 The grant is made excepting and reserving to the Landlord the rights set out in clause 3, and subject to the Third Party Rights.
- 2.4 The grant is made with the Tenant paying the following as rent to the Landlord:
- (a) the Annual Rent and all VAT in respect of it,
 - (b) the Insurance Rent;
 - (c) all interest payable under this lease; and
 - (d) all other sums due under this lease.

3. RIGHTS EXCEPTED AND RESERVED

- 3.1 The following rights are excepted and reserved from this lease to the Landlord for the benefit of the Landlord's Neighbouring Property and to the extent possible for the benefit of any neighbouring or adjoining property in which the Landlord acquires an interest during the term:
- (a) rights of light, air, support and protection to the extent those rights are capable of being enjoyed at any time during the term;
 - (b) the right to use and to connect into Service Media at the Property which are in existence at the date of this lease or which are installed or constructed during the Contractual Term;

- (c) at any time during the term, the full and free right to develop Property and any neighbouring or adjoining property in which the Landlord acquires an interest during the term as the Landlord may think fit;
- (d) the right to erect scaffolding at the Property and attach it to any building or structure on the Property in connection with any of the Reservations;
- (e) the right to build on or into any boundary wall of the Property in connection with any of the Reservations;
- (f) the right to re-route any Service Media at or serving the Property or re-route any means of access to or egress from the Property;
- (g) the right to enter the Property and carry out soil and ground investigation surveys including drilling bore holes and taking samples subject to the Landlord making good any damage thereby caused; and

notwithstanding that the exercise of any of the Reservations or the works carried out pursuant to them result in a reduction in the flow of light or air to the Property or loss of amenity for the Property.

3.2 The Landlord reserves the right to enter the Property:

- (a) to repair, maintain or replace any Service Media or structure relating to any of the Reservations; and
- (b) for any other purpose mentioned in or connected with:
 - (i) this lease;
 - (ii) the Reservations; and
 - (iii) the Landlord's interest in the Property.

3.3 The Reservations may be exercised by the Landlord and by anyone else who is or becomes entitled to exercise them, and by anyone authorised by the Landlord.

3.4 The Tenant shall allow all those entitled to exercise any right to enter the Property, to do so with their workers, contractors, agents and professional advisors, and to enter the Property at any reasonable time (whether or not during usual business hours) and, except in the case of an emergency, after having given reasonable notice (which need not be in writing) to the Tenant.

3.5 No party exercising any of the Reservations, nor its workers, contractors, agents and professional advisors, shall be liable to the Tenant or to any undertenant or other occupier of or person at the Property for any loss,

damage, injury, nuisance or inconvenience arising by reason of its exercising any of those Reservations except for:

- (a) physical damage to the Property; or
- (b) any loss, damage, injury, nuisance or inconvenience in relation to which the law prevents the Landlord from excluding liability.

4. THIRD PARTY RIGHTS

- 4.1 The Tenant shall comply with all obligations on the Landlord relating to the Third Party Rights (insofar as those obligations relate to the Property) and shall not do anything (even if otherwise permitted by this lease) that may interfere with any Third Party Right.
- 4.2 The Tenant shall allow the Landlord and any other person authorised by the terms of the Third Party Right to enter the Property in accordance with its terms.

5. THE ANNUAL RENT

- 5.1 The Tenant shall pay the Annual Rent and any VAT in respect of it by twelve equal instalment in advance on or before the Rent Payment Dates. The payments shall be made by banker's standing order or by any other method that the Landlord requires at any time by giving notice to the Tenant.
- 5.2 The first instalment of the Annual Rent and any VAT in respect of it shall be made on the date of this lease and shall be the proportion, calculated on a daily basis, in respect of the period beginning on the date of this lease until the day before the next Rent Payment Date.

6. INSURANCE

- 6.1 Subject to clause 6.2, the Landlord shall keep the Property (other than any plate glass at the Property) insured against loss or damage by the Insured Risks for the sum which the Landlord considers to be its full reinstatement cost (taking inflation of building costs into account). The Landlord shall not be obliged to insure any part of the Property installed by the Tenant.
- 6.2 The Landlord's obligation to insure is subject to:
 - (a) any exclusions, limitations, excesses and conditions that may be imposed by the insurers; and
 - (b) insurance being available in the London insurance market on reasonable terms acceptable to the Landlord.

6.3 The Tenant shall pay to the Landlord on demand:

- (a) the Insurance Rent;
- (b) any amount that is deducted or disallowed by the insurers pursuant to any excess provision in the insurance policy; and
- (c) any costs that the Landlord incurs in obtaining a valuation of the Property for insurance purposes.

If the Landlord insures the Property together with other land, the amount of the Insurance Rent shall be a fair proportion of the total for the Property and the other land.

6.4 The Tenant shall:

- (a) immediately inform the Landlord if any matter occurs that any insurer or underwriter may treat as material in deciding whether or on what terms to insure or to continue to insure the Property and shall give the Landlord notice of that matter;
- (b) not do or omit anything as a result of which any policy of insurance of the Property or any neighbouring property may become void or voidable or otherwise prejudiced, or the payment of any policy money may be withheld, nor (unless the Tenant has previously notified the Landlord and has paid any increased or additional premium) anything as a result of which any increased or additional insurance premium may become payable;
- (c) comply at all times with the requirements and recommendations of the insurers relating to the Property;
- (d) give the Landlord immediate notice of the occurrence of any damage or loss relating to the Property arising from an Insured Risk or of any other event that might affect any insurance policy relating to the Property;
- (e) not effect any insurance of the Property (except any plate glass at the Property), but if it becomes entitled to the benefit of any insurance proceeds in respect of the Property (other than in respect of plate glass) pay those proceeds or cause them to be paid to the Landlord; and
- (f) pay the Landlord an amount equal to any insurance money that the insurers of the Property refuse to pay by reason of any act or omission of the Tenant or any undertenant, their workers, contractors or agents or any person at the Property with the actual or implied authority of any of them.

6.5 The Landlord shall, subject to obtaining all necessary planning and other consents, use all insurance money received (other than for loss of rent) to

repair the damage for which the money has been received or (as the case may be) in rebuilding the Property. The Landlord shall not be obliged to:

- (a) provide accommodation identical in layout or design so long as accommodation reasonably equivalent to that previously at the Property is provided; or
- (b) repair or rebuild if the Tenant has failed to pay any of the Insurance Rent; or
- (c) repair or rebuild the Property after a notice has been served pursuant to clause 6.7.

6.6 If the Property is damaged or destroyed by a risk against which the Landlord is obliged to insure so as to be unfit for occupation and use then, unless the policy of insurance of the Property has been vitiated in whole or in part in consequence of any act or omission of the Tenant, any undertenant or their respective workers, contractors or agents or any other person on the Property with the actual or implied authority of any of them, payment of the Annual Rent, or a fair proportion of it according to the nature and extent of the damage, shall be suspended until the Property has been reinstated and made fit for occupation and use, or until the end of the Contractual Term, if sooner.

6.7 If, following damage to or destruction of the Property, the Landlord considers that it is impossible or impractical to reinstate the Property, the Landlord may terminate this lease by giving notice to the Tenant. On giving notice this lease shall determine but this shall be without prejudice to any right or remedy of the Landlord in respect of any breach of the tenant covenants of this lease. Any proceeds of the insurance (other than any insurance for plate glass) shall belong to the Landlord.

7. RATES AND TAXES

7.1 The Tenant shall pay all present and future rates, taxes and other impositions and outgoings payable in respect of the Property, its use and any works carried out there, except:

- (a) any taxes payable by the Landlord in connection with any dealing with or disposition of the reversion to this lease; or
- (b) any taxes (other than VAT and insurance premium tax) payable by the Landlord by reason of the receipt of any of the rents due under this lease.

7.2 If any rates taxes or other impositions and outgoings are payable in respect of the Property together with other property, the Tenant shall pay a fair proportion of the amount payable.

7.3 The Tenant shall not make any proposal to alter the rateable value of the Property or that value as it appears on any draft rating list, without the approval of the Landlord.

7.4 If, after the end of the term, the Landlord loses rating relief (or any similar relief or exemption) because it has been allowed to the Tenant, then the Tenant shall pay the Landlord an amount equal to the relief or exemption that the Landlord has lost.

8. UTILITIES

8.1 The Tenant shall pay all costs in connection with the supply and removal of electricity, gas, water, sewage, telecommunications, data and other services and utilities to or from the Property.

8.2 If any of those costs are payable in relation to the Property together with other property, the Tenant shall pay a fair proportion of all those costs.

8.3 The Tenant shall comply with all laws and with any recommendations of the relevant suppliers relating to the use of those services and utilities.

9. COMMON ITEMS

9.1 The Tenant shall pay the Landlord on demand a fair proportion of all costs payable for the maintenance, repair, lighting, cleaning and renewal of all Service Media, structures and other items used or capable of being used by the Property in common with other property.

9.2 The Tenant shall comply with all reasonable regulations the Landlord may make from time to time in connection with the use of any of those Service Media, structures or other items.

10. VAT

10.1 All sums payable by the Tenant are exclusive of any VAT that may be chargeable. The Tenant shall pay VAT in respect of all taxable supplies made to it in connection with this lease on the due date for making any payment or, if earlier, the date on which that supply is made for VAT purposes.

10.2 Every obligation on the Tenant, under or in connection with this lease, to pay the Landlord or any other person any sum by way of a refund or indemnity, shall include an obligation to pay an amount equal to any VAT incurred on that sum by the Landlord or other person, except to the extent that the

Landlord or other person obtains credit for such VAT under the Value Added Tax Act 1994.

11. DEFAULT INTEREST AND INTEREST

- 11.1 If any Annual Rent or any other money payable under this lease has not been paid by the date it is due, whether it has been formally demanded or not, the Tenant shall pay the Landlord interest on that amount at the Default Interest Rate (both before and after any judgment). Such interest shall accrue on a daily basis for the period beginning on the due date to and including the date of payment.
- 11.2 If the Landlord does not demand or accept any Annual Rent or other money due or tendered under this lease because the Landlord reasonably believes that the Tenant is in breach of any of the tenant covenants of this lease, then the Tenant shall, when that amount is accepted by the Landlord, also pay interest at the Interest Rate on that amount for the period beginning on the date the amount (or each part of it) became due until the date it is accepted by the Landlord.

12. COSTS

- 12.1 The Tenant shall pay the costs and expenses of the Landlord including any solicitors' or other professionals' costs and expenses (incurred both during and after the end of the term) in connection with or in contemplation of any of the following:
- (a) the enforcement of the tenant covenants of this lease;
 - (b) serving any notice in connection with this lease under section 146 or 147 of the Law of Property Act 1925 or taking any proceedings under either of those sections, notwithstanding that forfeiture is avoided otherwise than by relief granted by the court;
 - (c) serving any notice in connection with this lease under section 17 of the Landlord and Tenant (Covenants) Act 1995;
 - (d) the preparation and service of a schedule of dilapidations in connection with this lease; or
 - (e) any consent or approval applied for under this lease.
- 12.2 Where the Tenant is obliged to pay or indemnify the Landlord against any solicitors' or other professionals' costs and expenses (whether under this or any other clause of this lease) that obligation extends to those costs and expenses assessed on a full indemnity basis.

13. SET-OFF

The Annual Rent and all other amounts due under this lease shall be paid by the Tenant or any guarantor (as the case may be) in full without any set-off, counterclaim, deduction or withholding (other than any deduction or withholding of tax as required by law).

14. ASSIGNMENTS

14.1 The Tenant shall not assign the whole of this lease without the consent of the Landlord, such consent not to be unreasonably withheld.

14.2 The Tenant shall not assign part only of this lease.

14.3 The Landlord and the Tenant agree that for the purposes of section 19(1A) of the Landlord and Tenant Act 1927 the Landlord may give its consent to an assignment subject to any or all of the following conditions:

- (a) a condition that the assignor enters into an authorised guarantee agreement which:
 - (i) is in respect of all the tenant covenants of this lease;
 - (ii) is in respect of the period beginning with the date the assignee becomes bound by those covenants and ending on the date when the assignee is released from those covenants by virtue of section 5 of the Landlord and Tenant (Covenants) Act 1995;
 - (iii) imposes principal debtor liability on the assignor;
 - (iv) requires (in the event of a disclaimer of liability of this lease) the assignor to enter into a new tenancy for a term equal to the unexpired residue of the Contractual Term; and
 - (v) is otherwise in a form reasonably required by the Landlord.
- (b) a condition that a person of standing acceptable to the Landlord enters into a guarantee and indemnity in the form set out in the Schedule (with such amendments and additions as the Landlord may reasonably require).

14.4 The Landlord and the Tenant agree that for the purposes of section 19(1A) of the Landlord and Tenant Act 1927 the Landlord may refuse its consent to an assignment if any of the following circumstances exist at the date of the Tenant's application for consent to assign the lease:

- (a) the Annual Rent or any other money due under this lease is outstanding or there is a breach of covenant by the Tenant that has not been remedied;

- (b) in the Landlord's reasonable opinion the assignee is not of sufficient financial standing to enable it to comply with the Tenant's covenants and conditions contained in this lease; or
- (c) the assignee and the Tenant are group companies within the meaning of section 42 of the LTA 1954.

14.5 Nothing in this clause shall prevent the Landlord from giving consent subject to any other reasonable condition, nor from refusing consent to an assignment in any other circumstance where it is reasonable to do so.

15. UNDERLETTINGS

15.1 The Tenant shall not underlet the whole of the Property except in accordance with this clause nor without the consent of the Landlord, such consent not to be unreasonably withheld.

15.2 The Tenant shall not underlet part only of the Property.

15.3 The Tenant shall not underlet the Property:

- (a) together with any property or any right over property that is not included within this lease;
- (b) at a fine or premium or reverse premium; nor
- (c) allowing any rent free period to the undertenant.

15.4 The Tenant shall not underlet the Property unless, before the underlease is granted, the Tenant has given the Landlord:

- (a) a certified copy of the notice served on the undertenant, as required by section 38A(3)(a) of the LTA 1954, applying to the tenancy to be created by the underlease; and
- (b) a certified copy of the declaration or statutory declaration made by the undertenant in accordance with the requirements of section 38A(3)(b) of the LTA 1954.

15.5 Any underletting by the Tenant shall be by deed and shall include:

- (a) an agreement between the Tenant and the undertenant that the provisions of sections 24 to 28 of the LTA 1954 are excluded from applying to the tenancy created by the underlease;
- (b) the reservation of a rent which is not less than the full open market rental value of the Property at the date the Property is underlet and which is payable at the same times as the Annual Rent under this lease;

- (c) a covenant by the undertenant, enforceable by and expressed to be enforceable by the Landlord (as superior landlord at the date of grant) and its successors in title in their own right, to observe and perform the tenant covenants in the underlease and any document that is supplemental or collateral to it and the tenant covenants in this lease, except the covenants to pay the rents reserved by this lease; and
- (d) provisions requiring the consent of the Landlord to be obtained in respect of any matter for which the consent of the Landlord is required under this lease,

and shall otherwise be consistent with and include tenant covenants no less onerous (other than as to the Annual Rent) than those in this lease and in a form approved by the Landlord.

15.6 In relation to any underlease granted by the Tenant, the Tenant shall:

- (a) not vary the terms of the underlease nor accept a surrender of the underlease without the consent of the Landlord, such consent not to be unreasonably withheld;
- (b) enforce the tenant covenants in the underlease and not waive any of them nor allow any reduction in the rent payable under the underlease; and
- (c) ensure that in relation to any rent review the revised rent is not agreed without the approval of the Landlord, such approval not to be unreasonably withheld.

16. SHARING OCCUPATION

The Tenant may share occupation of the Property with any company that is a member of the same group (within the meaning of section 42 of the LTA 1954) as the Tenant for as long as that company remains within that group and provided that no relationship of landlord and tenant is established by that arrangement.

17. CHARGING

17.1 The Tenant shall not charge the whole of this lease without the consent of the Landlord, such consent not to be unreasonably withheld.

17.2 The Tenant shall not charge part only of this lease.

18. PROHIBITION OF OTHER DEALINGS

Except as expressly permitted by this lease, the Tenant shall not assign, underlet, charge, part with or share possession or share occupation of this lease or the Property or hold the lease on trust for any person (except pending registration of a dealing permitted by this lease at HM Land Registry or by reason only of joint legal ownership).

19. REPAIRS

- 19.1 The Tenant shall keep the Property clean and tidy including cleaning the inside and outside of the windows at the Property.
- 19.2 The tenant shall replace any plate glass or other window glass that becomes cracked or broken.
- 19.3 The Tenant shall keep the buildings on the Property wind and watertight and in a conditions safe for its use. The Tenant shall not be under any obligation to improve the Property provided it has kept the Property wind and watertight.
- 19.4 The Tenant shall keep the open areas at the Property in a clean safe and tidy condition.

20. ALTERATIONS

- 20.1 The Tenant shall not make any external or structural alteration or addition to the Property and shall not make any opening in any boundary structure of the Property.
- 20.2 The Tenant shall not install any Service Media nor make any alteration to the Service Media at the Property nor alter the route of any Service Media at the Property.
- 20.3 The Tenant shall not make any excavation or drilling into the open areas at the Property which might or could disturb any existing contamination below ground level.

21. SIGNS

- 21.1 In this clause **Signs** include signs, fascia, placards, boards, posters and advertisements.

- 21.2 The Tenant shall not attach any Signs to the exterior of the Property or display any inside the Property so as to be seen from the outside except Signs of a design, size and number and in a position that are appropriate to the Property and the Permitted Use, without the consent of the Landlord, such consent not to be unreasonably withheld.
- 21.3 Before the end of the term, the Tenant shall remove any Signs placed by it at the Property and shall make good any damage caused to the Property by that removal.
- 21.4 The Tenant shall allow the Landlord to fix to and keep at the Property any sale or re-letting board as the Landlord reasonably requires.

22. RETURNING THE PROPERTY TO THE LANDLORD

- 22.1 At the end of the term the Tenant shall return the Property to the Landlord in the repair and condition required by this lease.
- 22.2 If the Landlord gives the Tenant notice the Tenant shall remove items it has fixed to the Property, remove any alterations it has made to the Property and make good any damage caused to the Property by that removal.
- 22.3 At the end of the term, the Tenant shall remove from the Property all chattels belonging to or used by it.
- 22.4 The Tenant irrevocably appoints the Landlord to be the Tenant's agent to store or dispose of any chattels or items it has fixed to the Property and which have been left by the Tenant on the Property for more than ten working days after the end of the term. The Landlord shall not be liable to the Tenant by reason of that storage or disposal. The Tenant shall indemnify the Landlord in respect of any claim made by a third party in relation to that storage or disposal.
- 22.5 If the Tenant does not comply with its obligations in this clause, then, without prejudice to any other right or remedy of the Landlord, the Tenant shall pay the Landlord an amount equal to the Annual Rent at the rate reserved immediately before the end of the term for the period that it would reasonably take to put the Property into the condition it would have been in had the Tenant performed its obligations under this clause. The amount shall be a debt due on demand from the Tenant to the Landlord.

23. USE

- 23.1 The Tenant shall not use the Property for any purpose other than the Permitted Use.
- 23.2 The Tenant shall not leave any refuse outside the Property except at such times and in such manner as accord with the arrangements for the collection of refuse from the Property by the local authority
- 23.3 The Tenant shall not use the Property;
- (a) for any illegal purpose nor for any purpose; or
 - (b) in a manner that would cause loss, damage, injury, nuisance or inconvenience to the Landlord, its other tenants or any other owner or occupier of neighbouring property;
 - (c) in a way that would vitiate the Landlord's insurance of the Property; or
 - (d) in a manner that interferes with any right subject to which this lease is granted.
- 23.4 The Tenant shall not overload any structural part of the Property nor any machinery or equipment at the Property nor any Service Media at or serving the Property.

24. COMPLIANCE WITH LAWS

- 24.1 The Tenant shall comply with all laws relating to:
- (a) the Property and the occupation and use of the Property by the Tenant;
 - (b) the use or operation of all Service Media and machinery and equipment at or serving the Property whether or not used or operated, and shall, where necessary, replace or convert such Service Media within or exclusively serving the Property so that it is capable of lawful use or operation;
 - (c) any works carried out at the Property; and
 - (d) all materials kept at or disposed from the Property.
- 24.2 Without prejudice to any obligation on the Tenant to obtain any consent or approval under this lease, the Tenant shall carry out all works that are required under any law to be carried out at the Property whether by the owner or the occupier.

- 24.3 Within five working days after receipt of any notice or other communication affecting the Property (and whether or not served pursuant to any law) the Tenant shall:
- (a) send a copy of the relevant document to the Landlord; and
 - (b) take all steps necessary to comply with the notice or other communication and take any other action in connection with it as the Landlord may require.
- 24.4 The Tenant shall not apply for any planning permission for the Property without the Landlord's consent.
- 24.5 The Tenant shall comply with its obligations under the CDM Regulations, including all requirements in relation to the provision and maintenance of a health and safety file. The Tenant shall maintain the health and safety file for the Property in accordance with the CDM Regulations and shall give it to the Landlord at the end of the term.
- 24.6 The Tenant shall supply all information to the Landlord that the Landlord reasonably requires from time to time to comply with the Landlord's obligations under the CDM Regulations.
- 24.7 As soon as the Tenant becomes aware of any defect in the Property, it shall give the Landlord notice of it. The Tenant shall indemnify the Landlord against any liability under the Defective Premises Act 1972 in relation to the Property by reason of any failure of the Tenant to comply with any of the tenant covenants in this lease.
- 24.8 The Tenant shall keep the Property equipped with all fire prevention, detection and fighting machinery and equipment and fire alarms which are required under all relevant laws or required by the insurers of the Property or reasonably recommended by them or reasonably required by the Landlord and shall keep that machinery, equipment and alarms properly maintained and available for inspection.
- 25. ENCROACHMENTS, OBSTRUCTIONS AND ACQUISITION OF RIGHTS**
- 25.1 The Tenant shall not grant any right or licence over the Property to a third party.
- 25.2 If a third party makes or attempts to make any encroachment over the Property or takes any action by which a right may be acquired over the Property, the Tenant shall:

- (a) immediately inform the Landlord and shall give the Landlord notice of that encroachment or action; and
 - (b) take all steps (including any proceedings) the Landlord reasonably requires to prevent or license the continuation of that encroachment or action.
- 25.3 The Tenant shall not obstruct the flow of light or air to the Property nor obstruct any means of access to the Property.
- 25.4 The Tenant shall not make any acknowledgement that the flow of light or air to the Property or that the means of access to the Property is enjoyed with the consent of any third party.
- 25.5 If any person takes or threatens to take any action to obstruct the flow of light or air to the Property or obstruct the means of access to the Property, the Tenant shall:
 - (a) immediately inform the Landlord and shall give the Landlord notice of that action; and
 - (b) take all steps (including proceedings) the Landlord reasonably requires to prevent or secure the removal of the obstruction.

26. BREACH OF REPAIR AND MAINTENANCE OBLIGATIONS

- 26.1 The Landlord may enter the Property to inspect its condition and state of repair and may give the Tenant a notice of any breach of any of the tenant covenants in this lease relating to the condition or repair of the Property.
- 26.2 If the Tenant has not begun any works needed to remedy that breach within two months following that notice (or if works are required as a matter of emergency, then immediately) or if the Tenant is not carrying out the works with all due speed, then the Landlord may enter the Property and carry out the works needed.
- 26.3 The costs incurred by the Landlord in carrying out any works pursuant to this clause (and any professional fees and any VAT in respect of those costs) shall be a debt due from the Tenant to the Landlord and payable on demand.
- 26.4 Any action taken by the Landlord pursuant to this clause shall be without prejudice to the Landlord's other rights, including those under clause 31.

27. INDEMNITY

The Tenant shall keep the Landlord indemnified against all liabilities, expenses, costs (including but not limited to any solicitors' or other professionals' costs and expenses), claims, damages and losses (including but not limited to any diminution in the value of the Landlord's interest in the Property and loss of amenity of the Property) suffered or incurred by the Landlord arising out of or in connection with any breach of any tenant covenants in this lease, or any act or omission of the Tenant, any undertenant or their respective workers, contractors or agents or any other person on the Property with the actual or implied authority of any of them.

28. LANDLORD'S COVENANT FOR QUIET ENJOYMENT

The Landlord covenants with the Tenant, that, so long as the Tenant pays the rents reserved by and complies with its obligations in this lease, the Tenant shall have quiet enjoyment of the Property without any interruption by the Landlord or any person claiming under the Landlord except as otherwise permitted by this lease.

29. BREAK CLAUSE

29.1 Definitions:

Break Date:

Break Notice: Written notice to terminate this lease on the Break specifying the Break Date and served in accordance with clause 30.2.

Original Landlord: **REL WINCHESTER LTD** incorporated and registered in England and Wales with company number 08780355 whose registered office is at Printware Court Cumberland Business Centre Northumberland Road Portsmouth PO51DS.

Original Tenant: **JLE HAVANT LIMITED** incorporated and registered in England and Wales with company number 7920848 whose registered office is at 8 New Lane Havant Hampshire PO9 2JH.

29.2 Exercise of break

29.2.1 The Original Landlord may terminate this lease by serving a Break Notice on the Tenant at least 6 months before the Break Date.

29.2.2 The Original Tenant may terminate this lease by serving a Break Notice on the Original Landlord at least 6 months before the Break Date.

29.3 The right to serve a Break Notice is personal to the Original Landlord and the Original Tenant.

29.4 Original Tenant Conditions

29.4.1 A Break Notice served by the Original Tenant shall be of no effect if, at any time prior to the Break Date, it has assigned or contracted to assign this lease.

29.4.2 A Break Notice served by the Original Tenant shall be of no effect if, at the Break Date:

- (a) the Original Tenant has not paid any part of the Annual Rent, or any VAT in respect of it, which was due to have been paid;
- (b) vacant possession of the whole of the Property is not given or
- (c) there is a subsisting material breach of any of the tenant covenants of this lease relating to the state of repair and condition of the Property.

29.5 Original Landlord Conditions

29.5.1 A Break Notice served by the Original Landlord shall be of no effect if, at any time prior to the Break Date, it has transferred or contracted to transfer the whole or any part of its reversionary interest in the Property.

29.5.2 A Break Notice served by the Original Landlord shall only have effect if, at the Break Date, the Original Landlord intends to:

- (a) demolish or reconstruct the Property or a substantial part of it; or
- (b) carry out substantial work of construction on the Property or part of it; and
- (c) the Original Landlord cannot reasonably do so without obtaining possession of the Property.

29.6 Termination

29.6.1 Subject to clause 30.4 and 30.5, following service of a Break Notice this lease shall terminate on the Break Date.

29.6.2 Termination of this lease on the Break Date shall not affect any other right or remedy that either party may have in relation to any earlier breach of this lease.

29.6.3 If this lease terminates in accordance with clause 30.6.1 then, within 14 days after the Break Date, the Landlord shall refund to the Tenant the proportion of the Annual Rent, and any VAT paid in respect of it, for the period from and excluding the Break Date up to and excluding the next Rent Payment Date, calculated on a daily basis.

30 GUARANTEE AND INDEMNITY

30.1 The provisions of Schedule 2 apply.

30.2 If an Act of Insolvency occurs in relation to a guarantor, or if any guarantor (being an individual) dies or becomes incapable of managing his affairs the Tenant shall, if the Landlord requests, procure that a person of standing acceptable to the Landlord, within 21 days of that request, enters into a replacement or additional guarantee and indemnity of the tenant covenants of this lease in the same form as that entered into by the former guarantor.

30.3 *Clause 30.2* shall not apply in the case of a person who is guarantor by reason of having entered into an authorised guarantee agreement.

30.4 For so long as any guarantor remains liable to the Landlord, the Tenant shall, if the Landlord requests, procure that that guarantor joins in any consent or approval required under this lease and consents to any variation of the tenant covenants of this lease.

31 RE-ENTRY AND FORFEITURE

31.1 The Landlord may re-enter the Property (or any part of the Property in the name of the whole) at any time after any of the following occurs:

31.1.1 any rent is unpaid 21 days after becoming payable whether it has been formally demanded or not;

31.1.2 any breach of any condition of, or tenant covenant in, this lease;

31.1.3 an Act of Insolvency.

31.2 If the Landlord re-enters the Property (or any part of the Property in the name of the whole) pursuant to this clause, this lease shall immediately end, but without prejudice to any right or remedy of the Landlord in respect of any breach of covenant by the Tenant or any guarantor.

32 JOINT AND SEVERAL LIABILITY

- 32.1 Where the Tenant comprises more than one person, those persons shall be jointly and severally liable for the obligations and liabilities of the Tenant arising under this lease. The Landlord may take action against, or release or compromise the liability of, or grant time or other indulgence to, any one of those persons without affecting the liability of any other of them.
- 32.2 Where a guarantor comprises more than one person, those persons shall be jointly and severally liable for the obligations and liabilities of a guarantor arising under this lease. The Landlord may take action against, or release or compromise the liability of, or grant time or other indulgence to, any one of those persons without affecting the liability of any other of them.
- 32.3 The obligations of the Tenant and any guarantor arising by virtue of this lease are owed to the Landlord and the obligations of the Landlord are owed to the Tenant.
- 32.4 The Landlord shall not be liable to the Tenant for any failure of the Landlord to perform any landlord covenant in this lease,.

33 ENTIRE AGREEMENT

- 33.1 This lease constitutes the whole agreement between the parties and supersedes all previous discussions, correspondence, negotiations, arrangements, understandings and agreements between them relating to its subject matter.
- 33.2 Each party acknowledges that in entering into this lease it does not rely on, and shall have no remedies in respect of, any representation or warranty (whether made innocently or negligently).

34 NOTICES, CONSENTS AND APPROVALS

- 34.1 Except where this lease specifically states that a notice need not be in writing, any notice given under or in connection with this lease shall be:
- 34.1.1 in writing and for the purposes of this clause an e-mail is not in writing;
and
- 34.1.2 given:
- 34.1.2.1 by hand or by pre-paid first-class post or other next working day delivery service at the party's registered office address (if the party is a company) or (in any other case) at the party's principal place of business; or

34.1.2.2 by fax to the party's main fax number.

34.2 If a notice complies with the criteria in clause 34.1, whether or not this lease requires that notice to be in writing, it shall be deemed to have been received:

34.2.1 if delivered by hand, at the time the notice is left at the proper address;

34.2.2 if sent by pre-paid first-class post or other next working day delivery service, on the second working day after posting; or

34.2.3 if sent by fax, at 9.00 am on the next working day after transmission.

34.3 This clause does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

34.4 Section 196 of the Law of Property Act 1925 shall otherwise apply to notices given under this lease.

34.5 Where the consent of the Landlord is required under this lease, a consent shall only be valid if it is given by deed, unless:

34.5.1 it is given in writing and signed by the Landlord or a person duly authorised on its behalf; and

34.5.2 it expressly states that the Landlord waives the requirement for a deed in that particular case.

If a waiver is given, it shall not affect the requirement for a deed for any other consent.

34.6 Where the approval of the Landlord is required under this lease, an approval shall only be valid if it is in writing and signed by or on behalf of the Landlord, unless:

34.6.1 the approval is being given in a case of emergency; or

34.6.2 this lease expressly states that the approval need not be in writing.

34.7 If the Landlord gives a consent or approval under this lease, the giving of that consent or approval shall not imply that any consent or approval required from a third party has been obtained, nor shall it obviate the need to obtain any consent or approval from a third party.

35 GOVERNING LAW

This lease and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims)

shall be governed by and construed in accordance with the law of England and Wales.

36 JURISDICTION

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this lease or its subject matter or formation (including non-contractual disputes or claims).

37 EXCLUSION OF SECTIONS 24-28 OF THE LTA 1954

37.1 The parties confirm that:

37.1.1 the Landlord served a notice on the Tenant, as required by section 38A(3)(a) of the LTA 1954, applying to the tenancy created by this lease, before this lease was entered into a certified copy of which notice is annexed to this lease;

37.1.2 MICHAEL EAMES who was duly authorised by the Tenant to do so made a statutory declaration dated *10 December 2015* in accordance with the requirements of section 38A(3)(b) of the LTA 1954 a certified copy of which statutory declaration is annexed to this lease; and

37.1.3 there is no agreement for lease to which this lease gives effect.

37.2 The parties agree that the provisions of sections 24 to 28 of the LTA 1954 are excluded in relation to the tenancy created by this lease.

37.3 The parties confirm that:

37.3.1 the Landlord served a notice on the Guarantor, as required by section 38A(3)(a) of the LTA 1954, applying to the tenancy to be entered into by the Guarantor pursuant to paragraph 4 of the Schedule, before this lease was entered into (a certified copy of which notice is annexed to this lease); and

37.3.2 the Guarantor made a statutory declaration dated *27 October 2015* ~~[DATE]~~ in accordance with the requirements of section 38A(3)(b) of the LTA 1954 (a certified copy of which statutory declaration is annexed to this lease).

38 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this lease shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this lease.

This does not affect any right or remedy of a third party which exists, or is available, apart from that Act.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1 Underleases

Date	Document	Parties	Expiry Date
27 September 2013	Underlease	Letcombe House Limited (in liquidation) (1) A1 Recovery Limited (2) James Richard Tickell and Carl Derek Faulds (3)	14 December 2015
15 December 2010	Underlease	Letcombe House Limited (in liquidation) (1) A1 Parking Management Limited (2) James Richard Tickell and Carl Derek Faulds (3)	14 December 2015

Schedule 2 Guarantee and indemnity

1. GUARANTEE AND INDEMNITY

- 1.1 The Guarantor guarantees to the Landlord that the Tenant shall:
- (a) pay the rents reserved by this lease and observe and perform the tenant covenants of this lease and that if the Tenant fails to pay any of those rents or to observe or perform any of those tenant covenants, the Guarantor shall pay or observe and perform them; and
 - (b) observe and perform any obligations the Tenant enters into in an authorised guarantee agreement made in respect of this lease (the **Authorised Guarantee Agreement**) and that if the Tenant fails to do so, the Guarantor shall observe and perform those obligations.
- 1.2 The Guarantor covenants with the Landlord as principal obligor and as a separate and independent obligation and liability from its obligations and liabilities under *paragraph 1.1* to indemnify and keep indemnified the Landlord against any failure by the Tenant:
- (a) to pay any of the rents reserved by this lease or any failure to observe or perform any of the tenant covenants of this lease; or
 - (b) to observe or perform any of the obligations the Tenant enters into in the Authorised Guarantee Agreement.

2. GUARANTOR'S LIABILITY

- 2.1 The liability of the Guarantor under *paragraph 1.1(a)* and *paragraph 1.2(a)* shall continue until the end of the term, or until the Tenant is released from the tenant covenants of this lease by virtue of the Landlord and Tenant (Covenants) Act 1995, if earlier.
- 2.2 The liability of the Guarantor shall not be reduced, discharged or otherwise adversely affected by:
- (a) any time or indulgence granted by the Landlord to the Tenant; or
 - (b) any delay or forbearance by the Landlord in enforcing the payment of any of the rents or the observance or performance of any of the tenant covenants of this lease (or the Tenant's obligations under the Authorised Guarantee Agreement) or in making any demand in respect of any of them; or

- (c) any refusal by the Landlord to accept any rent or other payment due under this lease where the Landlord believes that the acceptance of such rent or payment may prejudice its ability to re-enter the Property; or
- (d) the Landlord exercising any right or remedy against the Tenant for any failure to pay the rents reserved by this lease or to observe or perform the tenant covenants of this lease (or the Tenant's obligations under the Authorised Guarantee Agreement); or
- (e) the Landlord taking any action or refraining from taking any action in connection with any other security held by the Landlord in respect of the Tenant's liability to pay the rents reserved by this lease or observe and perform the tenant covenants of the lease (or the Tenant's obligations under the Authorised Guarantee Agreement) including the release of any such security; or
- (f) a release or compromise of the liability of any one of the persons who is the Guarantor, or the grant of any time or concession to any one of them; or
- (g) any legal limitation or disability on the Tenant or any invalidity or irregularity of any of the tenant covenants of the lease (or the Tenant's obligations under the Authorised Guarantee Agreement) or any unenforceability of any of them against the Tenant; or
- (h) the Tenant being dissolved, or being struck off the register of companies or otherwise ceasing to exist, or, if the Tenant is an individual, by the Tenant dying or becoming incapable of managing its affairs; or
- (i) without prejudice to paragraph 4, the disclaimer of the Tenant's liability under this lease or the forfeiture of this lease; or
- (j) the surrender of the lease in respect of part only of the Property, except that the Guarantor shall not be under any liability in relation to the surrendered part in respect of any period after the surrender; or

by any other act or omission except an express written release by deed of the Guarantor by the Landlord.

2.3 The liability of each of the persons making up the Guarantor is joint and several.

2.4 Any sum payable by the Guarantor shall be paid without any deduction, set-off or counter-claim against the Landlord or the Tenant.

3. VARIATIONS AND SUPPLEMENTAL DOCUMENTS

- 3.1 The Guarantor shall, at the request of the Landlord, join in and give its consent to the terms of any consent, approval, variation or other document that may be entered into by the Tenant in connection with this lease (or the Authorised Guarantee Agreement).
- 3.2 The Guarantor shall not be released by any variation of the rents reserved by, or the tenant covenants in, this Lease (or the Tenant's obligations under the Authorised Guarantee Agreement) whether or not:
- (a) the variation is material or prejudicial to the Guarantor; or
 - (b) the variation is made in any document; or
 - (c) the Guarantor has consented, in writing or otherwise, to the variation.
- 3.3 The liability of the Guarantor shall apply to the rents reserved by and the tenant covenants in this lease (and the Tenant's obligations under the Authorised Guarantee Agreement) as varied except to the extent that the liability of the Guarantor is affected by section 18 of the Landlord and Tenant (Covenants) Act 1995.

4. GUARANTOR TO TAKE A NEW LEASE OR MAKE PAYMENT

- 4.1 If this lease is forfeited or the liability of the Tenant under this lease is disclaimed and the Landlord gives the Guarantor notice not later than six months after the forfeiture or the Landlord having received notice of the disclaimer, the Guarantor shall enter into a new lease of the Property on the terms set out in paragraph 4.2.
- 4.2 The rights and obligations under the new lease shall take effect beginning on the date of the forfeiture or disclaimer and the new lease shall:
- (a) be granted subject to the right of any person to have this lease vested in them by the court and to the terms on which any such order may be made and subject to the rights of any third party existing at the date of the grant;
 - (b) be for a term that expires at the same date as the end of the Contractual Term of this lease had there been no forfeiture or disclaimer;
 - (c) reserve as an initial annual rent an amount equal to the Annual Rent payable under this lease at the date of the forfeiture or disclaimer or which would be payable but for any abatement or suspension of the Annual Rent or restriction on the right to collect it (subject to paragraph 5) and which is subject to review on the same terms and dates provided by this lease;
 - (d) be excluded from sections 24 to 28 of the LTA 1954; and

- (e) otherwise be on the same terms as this lease (as varied if there has been any variation).

- 4.3 The Guarantor shall pay the Landlord's solicitors' costs and disbursements (on a full indemnity basis) and any VAT in respect of them in relation to the new lease and shall execute and deliver to the Landlord a counterpart of the new lease within one month after service of the Landlord's notice.
- 4.4 The grant of a new lease and its acceptance by the Guarantor shall be without prejudice to any other rights which the Landlord may have against the Guarantor or against any other person or in respect of any other security that the Landlord may have in connection with this lease.
- 4.5 The Landlord may, instead of giving the Guarantor notice pursuant to paragraph 4.1 but in the same circumstances and within the same time limit, require the Guarantor to pay an amount equal to six months Annual Rent and the Guarantor shall pay that amount on demand.

5. RENT AT THE DATE OF FORFEITURE OR DISCLAIMER

If at the date of the forfeiture or disclaimer there is a rent review pending under this lease, then the initial annual rent to be reserved by the new lease shall be the greater of:

- (a) the Annual Rent previously payable (or which would have been payable but for any abatement or suspension of the Annual Rent or restriction on the right to collect it) under the lease prior to forfeiture or disclaimer; and
- (b) the open market rent of the Property at the relevant Review Date, as determined by the Landlord before the grant of the new lease.

6. PAYMENTS IN GROSS AND RESTRICTIONS ON THE GUARANTOR

- 6.1 Any payment or dividend that the Landlord receives from the Tenant (or its estate) or any other person in connection with any insolvency proceedings or arrangement involving the Tenant shall be taken and applied as a payment in gross and shall not prejudice the right of the Landlord to recover from the Guarantor to the full extent of the obligations that are the subject of this guarantee and indemnity.
- 6.2 The Guarantor shall not claim in competition with the Landlord in any insolvency proceedings or arrangement of the Tenant in respect of any payment made by the Guarantor pursuant to this guarantee and indemnity. If it otherwise receives any money in such proceedings or arrangement, it shall

hold that money on trust for the Landlord to the extent of its liability to the Landlord.

- 6.3 The Guarantor shall not, without the consent of the Landlord, exercise any right or remedy that it may have (whether against the Tenant or any other person) in respect of any amount paid or other obligation performed by the Guarantor under this guarantee and indemnity unless and until all the obligations of the Guarantor under this guarantee and indemnity have been fully performed.

7. OTHER SECURITIES

- 7.1 The Guarantor warrants that it has not taken and covenants that it shall not take any security from or over the assets of the Tenant in respect of any liability of the Tenant to the Guarantor. If it does take or hold any such security it shall hold it for the benefit of the Landlord.
- 7.2 This guarantee and indemnity is in addition to and independent of any other security that the Landlord may from time to time hold from the Guarantor or the Tenant or any other person in respect of the liability of the Tenant to pay the rents reserved by this lease and to observe and perform the tenant covenants of this lease. It shall not merge in or be affected by any other security.
- 7.3 The Guarantor shall not be entitled to claim or participate in any other security held by the Landlord in respect of the liability of the Tenant to pay the rents reserved by this lease or to observe and perform the tenant covenants of this lease.

Executed as a deed by REL
WINCHESTER LTD acting by
PAUL ASHLEY REX, a director, in
the presence of:



SIGNATURE OF WITNESS
NAMEAND ADDRESS OF
WITNESS



Executed as a deed by JLE
HAVANT LIMITED acting by
[NAME OF DIRECTOR], a director,
in the presence of:

SIGNATURE OF WITNESS
NAMEAND ADDRESS OF
WITNESS

Signed as a deed by MICHAEL
EAMES

in the presence of

SIGNATURE OF WITNESS
NAMEAND ADDRESS OF
WITNESS