



APAM

DEBENTURE PLC

Valuation Update

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ASSET VALUATIONS AS AT 31 DECEMBER 2021

	Eldon Square	Potteries	Xsite
Net Income as at 31 December 2021 (£m)	7.8	2.9	2.1
ERV (£m)	18.1	5.8	2.9
Stabilised Income as at December 2024 (£m)	9.2	4.1	2.9
NEY (%)	8.49	12.61	9.89
Gross Asset Value (£m)	108.4	32.5	29.3
Less CapEx (£m)	(6.3)	(6.2)	(2.3)
Less acquisition costs (£m)	(5.4)	(1.8)	(1.6)
Value Adjustment (£m)	(3.5)	2.0	(2.0)
Net Asset Valuations (£m)	93.2	26.5	23.5

COMMENTARY

The Asset Valuations as at 31 December 2021 set out in the table above have been produced by CBRE as an independent valuer (“Valuer”) using the following methodology:

- ❖ Determination of the Valuers Estimated Rental Value (“ERV”) being the Valuer’s opinion of the open market rent which could be expected to be achieved on the Valuation Date. In determining ERV the Valuer considers recent transactions at the Centres and in the wider market including new lettings, lease renewals rent reviews together with market incentives such as rent free periods or capital contributions.
- ❖ We note that at the end of 2021, the upturn in retail lettings was only just starting to be seen in completed deals and only became more apparent during Q1 2022. Lease events can be completed many months after the commercial terms were agreed and so there is a time lag between the comparable evidence used by the Valuer and the current market conditions; APAM look forward to forecast the lettings etc that can be achieved when producing the business plan.
- ❖ Based on Net Income, ERV and a permanent void assumption (of between 7.5% - 10%), the Valuer calculates their independent view on the Stabilised Income for the Centres.
- ❖ The Valuers determine an appropriate Net Equivalent Yield (“NEY”), the time weighted average return (after adding notional purchasers’ costs) to adopt after thoroughly analysing recent comparable investment transactions and market conditions.
- ❖ The basis of the Gross Asset Value is the Stabilised Income capitalised by the NEY, with deductions for capex and acquisition costs and adjusted for any increases/decreases in the asset cashflows during the 3 year period before the assumed Stabilised Income is achieved in December 2024 (“Valuation Adjustment”).

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