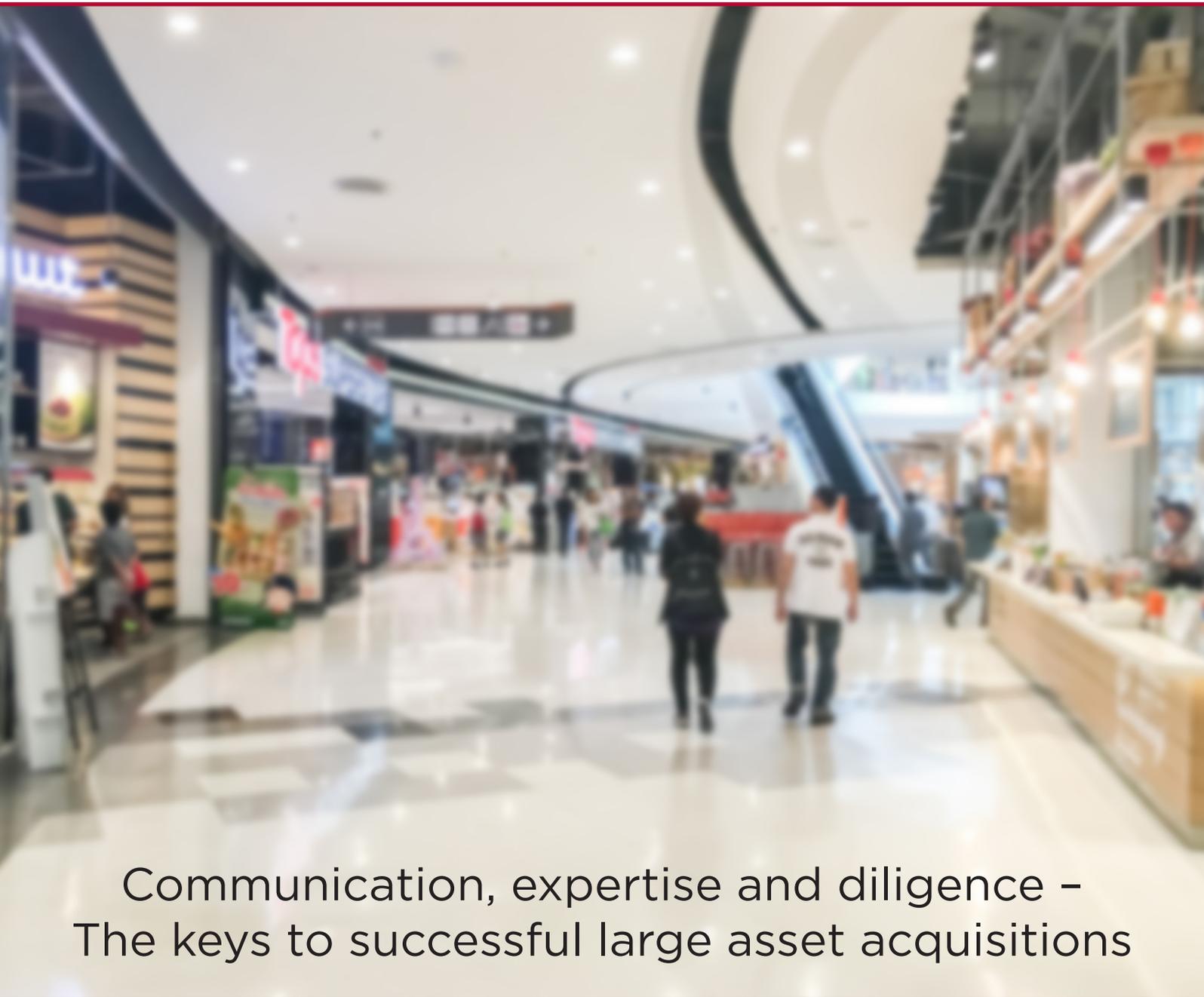




AWH assist MFS in shopping centre valuation projects



Communication, expertise and diligence –
The keys to successful large asset acquisitions

INTRODUCTION

Market Financial Solutions (MFS) is one of the UK's leading independent bridging finance providers. An investor approached them in March 2021 and again in June 2021, seeking loans of £3.8m and £1.76m to purchase two Shopping Centres; one a property of 280,000 sq ft/80 units which is located in the Midlands and the other consisting of 180,000 sq ft/40 units in the South of England, both of which had their own multi-storey car parks. The loans had previously been turned down by other finance providers who didn't have the specialist experience in the Shopping Centre sub-sector of the retail market.

MFS knew that they needed more information to be able to make an informed decision and turned to Anderson Wilde & Harris (AWH), who is a trusted part of the MFS valuation panel, drawing upon their experience in commercial valuations.

Wayne Fitzpatrick, Senior Underwriter at MFS said:

"AWH immediately understood the requirements and took the constraints for timescales seriously right from the start. They really understood what we were looking to get out of the transaction."

CHALLENGES FACED

While the Shopping Centres in question are located in the centres of established towns, they were struggling with vacancy rates, large rent concessions, relative low turnover of lease renewals and Landlord's shortfalls. With tight deadlines on the purchases, a vast array of areas to inspect and research, as well as the unpredictable backdrop of the effects of the Covid-19 pandemic, both projects had a number of unique challenges.

Among the usual investigations needed for valuations of this kind, it was discovered that one of the Shopping Centres had been built on a site which had previously housed a Petrol Station, giving rise to the concern of possible contamination issues.

Additionally, maintenance was needed on one of the Shopping Centres and a sum was being retained from the sale price to cover the costs of these renovations.

Risks of this kind understandably lead to funder caution, particularly in an economic climate recovering from a global pandemic and where the asset class is suffering high vacancy rates and Landlord's shortfalls. MFS and AWH were faced a number of challenges which required a combined, communicative approach to overcome.

SOLUTION

In consideration of these complexities, AWH assigned two senior employees to the task; **Robert Hughes MRICS**, who has over 13 years of Valuation experience of multi-let commercial buildings, many of which have 100+ tenants, and **Stephen Anderson BSc (Hons) MRICS**, Head of AWH's Landlord & Tenants team, who has 35+ years of experience in rent reviews, lease renewals and agency. Understanding the difference between lettings and lease renewals analysis is vitally important in cases such as this, in order to determine the net effective market rental values. Coupling the expertise of these two professionals enabled AWH to provide this understanding to MFS.

Robert Hughes said:

"The valuations of the Shopping Centres had their share of challenges, but there are positives as well. Many Investors consider Shopping Centres in the UK to be priced at the bottom of the sub-sectors' present cycle and therefore, whilst there are associated risks, there is also the opportunity to attain healthy gains. The risks could of course lead to a situation where shortfalls outweigh gross income. Assessing risk and modelling scenarios was all part of the valuation due diligence."

"There were also challenges from a tenancy perspective, but there are also huge advantages for proactive investors. The opportunity for long-term returns is high, and value-add opportunities, such as joint-venture town centre regeneration projects with local authorities, make these commercial properties good income assets for any lenders loan book, provided they are managed correctly."

Utilising a two-pronged approach by combining the Valuation investment of Robert Hughes MRICS and the L&T experience of Stephen Anderson BSc (Hons) MRICS, allowed AWH to provide the meticulous attention to detail that valuations of this nature require, simultaneously ensuring that the tight timescales could be met without impacting on commitments to other clients.

Very good lines of communication between all parties involved, including Solicitors, became key in overcoming inherent obstacles with each Shopping Centre.

Wayne Fitzpatrick said: *"Some people just tell you a fact and leave it with you to make the decision. AWH very much wanted the deal to go through and not fall down on any of these hurdles that came up."*

AWH, committed to offering a level of expertise and experience unmatched by many other property experts, is fully convinced that sending two valuers to get the full picture was the right course of action. With the amount of data required at key stages of the valuation process, having two sets of eyes on the project proved invaluable.

In both the instance of possible contamination, as well as the required maintenance of the Shopping Centre, detailed research was needed to ensure that these areas of concern were addressed and resolved. Following thorough research, the AWH team was able to provide extensively documented commentaries, which allowed MFS to proceed in confidence, knowing that the risks had been accounted for.

Wayne Fitzpatrick commented: *"We rely on valuers to provide certain commentary around things, and when it's unknown, it takes someone of experience to be able to put their hand on that and say 'yes, we're comfortable'. That filled us with nothing but confidence in AWH."*

Working closely with MFS and their team of solicitors, AWH provided almost daily updates to ensure that everything worked as smoothly as possible.

"Transparency is key on projects of this scope." Robert Hughes said. *"If it stalls for one party, it will stall for everyone, as we are all working on things at the same time."*

SUCCESSFULLY MOVING FORWARD

Through the diligence and hard work of AWH and the other parties engaged by MFS, the two valuations were completed on time and have led to successful loans for the two Shopping Centres.

With only around 30 purchases of this kind having taken place in the UK since the start of the year, AWH and MFS has already been involved in 10% of them and are working towards future assets of this kind.

"The nature of the work and relationship with AWH is great. The ease of conversation and their communication in general makes them really stand out – they are always a phone call away, and prepared to move mountains."

"Working with MFS has been a delight. We always knew that we were all working towards the same goal and every party was able to feel satisfied with the part that they contributed."

MFS is currently working with AWH in ongoing deals, including another Shopping Centre covering 500,000 sq ft with 90 leasable units.

Speak to **Robert Hughes MRICS** (on 07384 896467) or another member of the **AWH team** on 0800 071 5517 to discuss your valuation needs.

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