

To Whom It May Concern

## Property & Client Overview

<b>Name of Client</b>	Hili Properties plc
<b>Address of Client</b>	Nineteen Twenty Three, Valletta Road, Marsa
<b>Address of property inspected</b>	No.21/22/23/24, ix-Xatt ta' Tigne, Sliema & No.77/78/79, Sqaq il-Fawwara, Sliema
<b>Property Type</b>	Restaurant and Office block
<b>Construction Type</b>	Reinforced concrete columns supporting concrete beams and slabs
<b>Plot Area</b>	circa. 535m <sup>2</sup>
<b>Property Tenure</b>	Freehold
<b>Date of Inspection</b>	10 August 2021
<b>Date of Valuation</b>	30 September 2021

## **Declaration**

I, the undersigned Architect and Civil Engineer do hereby declare that as far as I am aware, no conflict of interest, either personal or in relation to my firm exists. I confirm that Professional Indemnity Insurance is available in respect of this valuation.

Neither whole nor any part of this valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and context in which it may appear.

This report is confidential to the Client and the respective professional advisors commissioned and is for the sole purpose stated in terms of reference. The undersigned can accept no liability if it is relied upon by anyone else, whether for the stated purposes or any other.

The purpose of this Report is for inclusion with the Prospectus, in accordance with Chapter 7 of the Capital Markets Rules of the Malta Financial Services Authority.

This valuation is being done in accordance with the standards and guidelines issued by the Royal Institute of Chartered Surveyors (RICS).

## **Property Intrinsic Factors**

The property consists of a restaurant at ground floor and an office at first floor level. Both floors feature an intermediate mezzanine level. The ground floor is currently leased as a restaurant outlet whilst the first floor is rented to a software company establishment. These two levels form part of a development block overlooking two streets, namely The Strand facing the waterfront and Sqaq il-Fawwara at the back of the property. The building forms part of a larger development which includes a third party parking basement garage, the ground and first floor properties in question and overlying apartments.

The property is serviced with all necessary commodities and utilities including water, electricity, storm and foul water and communication systems. All floors are heated and cooled with an HVAC VRV system, with the external unit located within a louvered enclosure at mezzanine level overlooking the alley in Sqaq il-Fawwara. The property includes a fire-fighting system, including a fire detection and sprinkler system, an intruder detection and alarm system, and CCTV system.

The internal finishes of the properties are finished to a high standard of finish and design.

The property enjoys the following facilities:

### *Ground Floor – Restaurant Outlet:*

The ground floor level features a restaurant outlet which is divided into two main areas, namely the public space and the service areas, separated by the main outlet counter. The public areas feature a number of indoor seating, together with an access for all toilet facilities, a serving counter and a staircase which leads to the mezzanine floor. The service areas of the restaurant areas feature a cooler and freezer room, garbage room, storage and a small office. An emergency exit and lift is found at the back of the property which links up with all levels of the property and with Sqaq il-Fawwara at the back.

The ground floor level is slightly elevated from the pavement by about 80cm and features a small flight of stairs at entrance level. A panoramic lift featuring within the façade of the building provides access for all to all floor levels within the outlet.

The mezzanine level consists of an indoor seating area, a front terrace, and public toilet facilities. The front terrace areas provide an outdoor seating area to the customers from where they can enjoy the waterfront views. The mezzanine level also features back of house facilities including changing rooms for staff, crew room, staff toilets and storage. A large void behind the toilet facilities is used for the equipment of the restaurant.

The façade features a large pavement in front of it overlooking the waterfront, of which part of it is taken up by an outdoor seating area and roofed over with a canopy structure. Permits for this outdoor seating area have been obtained from MTA and the local council by the operator to utilize part of the ample pavement space, hence increasing the total seating capacity of the premises.

The total gross floor area of the restaurant at ground floor is circa 535 sqm and at mezzanine level, it is circa 445 sqm. The terrace at mezzanine level has an area of circa 50 sqm whilst the outdoor seating area has a footprint area of circa 30 sqm.

To the side of the premises' entrance, one finds the third party access to the basement garages and overlying apartments.

#### First Floor Level - Office:

The first floor is accessible through an alley in Sqaq il-Fawwara. A staircase provides access to the main office at first floor and to a mezzanine level where a small office is located partly below street level, together with a small server room.

The first floor features an open plan design with demountable partitions at certain areas of the floor forming private office spaces. The floor levels also feature toilets and a staff room in the middle of the property.

The gross floor area of the office at first floor is circa 535 sqm and at mezzanine level is circa 115 sqm. The total net rentable area is circa 520 sqm.

Abutting the property on the front part, there is the common area stairs and lift of the third party apartments but access to the lift is presently blocked.

The office is finished to a high specification, with marble flooring throughout, together with high quality partitions.

## **Structural Appraisal**

The property structure is made up of loadbearing reinforced concrete columns, supporting concrete beams and slabs. This structural layout enables the open plan design in both floors. Upon inspection, it was observed that the property is in a sound structural state. The property was built circa 25 years ago.

## **Energy Performance Considerations**

The property includes a South-West facing facade which provide natural light and ventilation to all floors. The facade features glass panel doors with balcony overhangs. The energy performance certificate for the property is not available.

## **Property Location and Surrounds**

The property is located on the seafront in Sliema with all floors overlooking the waterfront at the Strand. The property location is considered as a prime site in Malta and is an ideal location for a commercial outlet, including restaurants and offices with high profile operators.

## **Planning Considerations**

The property is covered by permit PA 1095/12 which was approved in November 2012. Subsequent minor amendments were submitted in 2012, 2013 and 2015, with the latest approved in March 2015. The permit includes approved reports for ventilation, noise mitigation and an accessibility audit report.

The property is located in Sliema and forms part of the North Harbour Local Plan. The front part of the property facing the Sliema seafront forms part of the Sliema primary town centre and is covered by the policy NHRE 01. The back part of the property facing Sqaq il-Fawwara forms part of the residential area covered by the policy NHHO 01.

Policy NHHO 01 allows the development of offices as long as the floorspace does not exceed 75 sqm, whilst policy NHRE 01 permits office developments without limitations on the floorspace. The latter policy also allows developments of restaurants with cooking facilities.

## **Tenure and Leases**

The property is held freehold. The property was acquired by Premier Estates Limited by the contract dated 7<sup>th</sup> December 2012.

Premier Estates Ltd. leased the property at Ground floor and mezzanine level to Arcades Ltd. The property is leased at an annual rate of Eur 360,500 p.a. for the 1<sup>st</sup> year, followed by a higher amount which is determined on a monthly basis of the following 2 options:

1. Eur 350,000 excl. VAT payable monthly in arrears. The rent amount is revised every 5 years in accordance with COLA, or by 3%, whichever is the higher.
2. A monthly rate of 5% of the monthly gross sales excl. VAT payable monthly in arrears.

Date of commencement of the lease started on 1<sup>st</sup> May 2013 for a 20 year period.

Premier Estates Ltd. also leased the property known as the first floor level property, including its mezzanine to 2X Software Malta Ltd. The property is leased at an annual rate of Eur 115,900 excl. VAT, starting on the 1<sup>st</sup> November 2015. The rent will increase at the end of each year by 2% p.a. The lease is for a period of 10 years, of which the first three (3) years *di fermo* and the remaining 7 years *di rispetto*.

## **Methodology of Valuation**

The valuation is based on an Open Market Value which provides the same outcome as Market Value, which is defined in the RICS Valuation Standards, as *'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion'*

The entire footprint for all floors was sub-divided into the following activities/uses:

- Office space
- Restaurant
- Open terrace
- Circulation space / reception

Each use was given a value per square metre according to ongoing average market rates applicable to the locality, quality of the finishes and the facilities available. The valuation of the property uses is based on comparisons of recent sales transactions involving comparable properties in Malta, together with the experience of the undersigned in such valuations and analysis of data available on the current property market from reputable published sources.

## **Disclaimer**

In the preparation of this report I have carried out a cursory building structural survey; I have not inspected those parts of the property that are inaccessibly covered, unexposed and such parts have been assumed to be in good condition. This report must not be interpreted as if it validates the integrity of the structure or fabric of the building.

The estimated values are deemed to be the best price at which the sale of an interest in the respective property would have been completed unconditionally for cash consideration on the date of valuation, based on the following assumptions:

- a. A willing seller;
- b. Prior to the date of valuation, there had been a reasonable period for the proper marketing of the interest, for the negotiation and agreement of the price and terms and conditions of the sale;
- c. No account is taken of any additional bid by a purchase with a special interest;
- d. Both parties to the transaction had acted knowledgeably, prudently and without compulsion;
- e. Property is not subject to any unusual or onerous restrictions, encumbrances or outgoings and a good title can be shown

The documents used for the verification are the following:

- Title document
- Lease agreement

These documents were supplied by Hili Properties plc. All areas used for the calculations were based on the planning permit drawings and no measured surveys were done by the undersigned.

The valuation is based on the existing use value, subject to the permitted use of the property by the planning permits.

## Conclusion

In view of all the considerations mentioned beforehand, and after analysing similar properties currently available on the market, I, the undersigned, Architect and Civil Engineer estimate that the property has the following open market value:

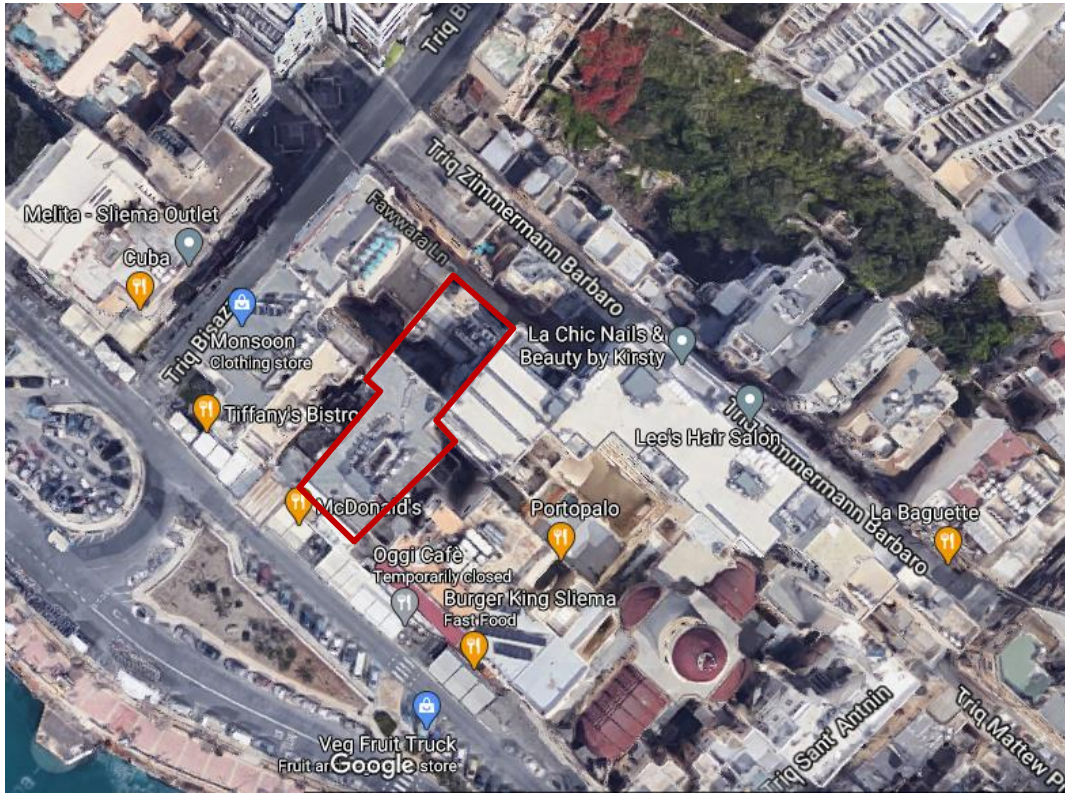
Ground floor (Restaurant outlet) – Eur 5,000,000

First floor (Offices) – Eur 3,200,000

≈ **€8,200,000 (Eight million and two-hundred thousand Euro)**



Perit Joe Bugeja  
*M.Sc.(Lond), D.I.C., B.A.(Arch.), A. & C.E.*



Site plan of the property



Property photos