

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>	Transport House, 11, Triq Pietro Floriani c/w Triq San Frangisk, Floriana
<b>Property Type</b>	Office block
<b>Construction Type</b>	Limestone masonry walls supporting a mixture of slab systems including steel beams supporting stone slabs and reinforced concrete slabs
<b>Plot Area</b>	approx. 155m <sup>2</sup> at ground floor but varies at upper floors
<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 an office block with three main floors, a basement and a recessed floor at roof level. The first and second floor level were interconnected with two apartments of the abutting property and have been converted to offices and linked up with the main corner building. The property is accessible through its front garden facing Triq Pietro Floriani. A front garden staircase provides access to the main entrance hall which is situated at about 1.5m above the street level. The property features a baroque and art decor facade which is typical of buildings in Floriana as well as Valletta.

The property has undergone extensive refurbishment in the last 10 years, carried out after that the property was vacated by Hili Group since it no longer served as the main Headquarters of the company. The refurbishment included structural alterations for the installation of a new lift, and other minor changes in preparation for use by the new tenant which started occupying the premises as per lease agreement dated 11th of July 2016.

The footprint area varies at every floor due to the alterations and additions that were carried out throughout the years and which will be detailed further below in the separate floor descriptions.

The property is serviced with all necessary commodities and utilities including water, electricity, storm and foul water and communication systems. All service risers are neatly confined through a space allocated within the main stairs. A water tank supplies government mains water supply to all floors.

The internal finishes of the property are finished to a high standard, with marble flooring and parquet. The ceilings are mostly soffited and AC units are available throughout the property. The AC external units are concealed within pockets in the front garden, in parts of the facade and on the roof so as not to be visible to the public.

The property enjoys the following facilities:

Basement Floor:

The basement level has almost the same footprint as the ground floor level, except for a small part which is leased to third parties. All rooms within this level are adequately lit and ventilated since the apertures overlook the street level and/or front garden. The basement level lies only slightly below street level. The total gross floor area is circa 90 sqm.

Ground Floor Level:

The ground floor level is accessible through an entrance hall with defined features and unique sculptural elements on the walls and ceilings. The hall leads onto a wide main stairwell which connects all the floors together.

The ground floor consists of 3 offices, a reception area, a toilet, a small kitchenette, a lift, and a spiral staircase 'garigor'. The latter is an original feature of the property which interconnects the ground floor directly to the board room at roof level.

The ground floor has a gross floor area of circa 155 sqm.

First Floor Level:

The first floor overlies the entire ground floor level and interconnects with an apartment of the abutting property which was converted into an office space towards the south of the property. This leads to a total gross floor area of circa 340 sqm.

The floor is served through the main staircase and the lift at ground floor. Another stairwell common with the block of apartments at the south of the property serves as an emergency escape only.

The floor includes ancillary facilities such as a kitchenette, toilets and a store. Most of the offices along the façade feature a balcony as well.

Second Floor Level:

The second floor is similar to the first floor level, in which it also interconnects with an apartment which was converted into an office space situated at the south of the property. The total gross floor area is circa 275 sqm.

The floor consists of a number of offices served by ancillary facilities such as a kitchenette, toilet and a store/server room. Most of the offices facing the façade feature also a balcony. A terrace is located at the north of the building.

The floor is served through the main staircase and the lift leading to ground floor, whilst the stairwell common with the block of apartments at the south of the property serves as an emergency escape only.

#### Third Floor Level / Receded Floor:

The third floor level consists of a board room, a toilet and a kitchenette. The internal gross floor area is circa 50 sqm.

This floor is accessible through the lift at ground floor and through the spiral staircase from ground floor since the main stairs does not extend to this level.

A small steel staircase provides access to a roof terrace extending all round the corner of the property and two small washrooms at roof level.

### **Structural Appraisal**

The property structure is made up of loadbearing limestone masonry walls. The roofing system consists mostly of steel beams with embedded stone slabs 'xorok', whilst some areas are roofed in reinforced concrete slabs.

Upon inspection, it was observed that the property is in a sound structural state. However, most of the ceiling is covered with false ceiling hence a complete assesment couldn't be carried out. It was noted that the upper floors were subjected to some water ingress which is being addressed. The balconies were noted to be generally in a good state of repair.

The two small washrooms at roof level were noted to be in a bad state of repair, with cracked and spalled structural members.

Internal partitions are used to form the various partitioning of the offices.

### **Energy Performance Considerations**

The property includes North-East and South-East facing facades which provide natural light and ventilation. The facade features thick masonry walls. The energy performance certificate for the property is not available.

### **Property Location and Surrounds**

The property is located in Floriana, close to Sir Paul Boffa Hospital and the main road of Floriana which leads to Valletta. The property is situated in a corner block and features the same façade décor as surrounding properties.

The property is close to main amenities including other commercial premises.

## Planning Considerations

The property is covered by the following planning permits:

- PA 4203/00 – change of use from residential to office at second floor. *Granted in February 2003*
- PA 3762/04 – change of use from residential to office at first floor. *Granted in February 2011*

There are no permits for the main corner office block. The block was used as an office well before 1992. Prior to 1992, a permit was not required in order to change the use of a residential development into an office development. The property was built prior to 1967.

Deviations from permits and regulations

- Permit PA 4928/16 included some minor alterations to the premises, mainly consisting in the modification of the central part of the premises at all floor levels to incorporate an accessible passenger lift serving all floors, and including also an additional room at first floor level into the office building.
- There are some minor changes from the current premises as built when compared to the approved drawings, including a modification of a small store room at levels 1 and 2 into a connecting corridor between the corner part of the building and the part of the building overlooking St. Francis Street. 3 steps connect the change in level between the 2 zones of the building.

The property is located within the residential zone in Floriana as per the Grand Harbour Local Plan (GHLP). However, Policy GF15 in the GHLP permits office development in such zones if it falls under one of the following categories:

- Property forms part of a Ministry or Government Department
- Development involves the conservation and rehabilitation of a historic building
- Proposed use of the property is for a national office of a registered non-profit organisation
- Proposed development is not more than 50 sqm, does not exceed 50% of the floorspace of the apartment block, has a separate access from the residential units and proof is provided that the unit being converted has been vacant. Such a development would be subject to a planning gain.

The current property is leased to a Government entity.

The property is currently surrounded by similarly built properties featuring an additional floor. It is being noted that the current recessed floor could possibly be developed up till façade level and another recessed floor is built on top. The vertical access would have to be extended towards this additional floor. This proposal is subject to the approval of the planning authority, and as such it is only outlining the potential of the property airspace.

## Tenure

The property is held freehold and free and unencumbered.

The property is leased to a government entity, which contract term commenced on the 31<sup>st</sup> July 2017. The annual rent is Eur 90,000 for a period of 5 years, following which it will increase to Eur 100,000. The lease term elapses on the 31<sup>st</sup> July 2027.

Ordinary maintenance is at the Lessee's expense whilst the utilities cost are invoiced to the Lessee on an as per use basis.

## 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
- 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 outgoing 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.

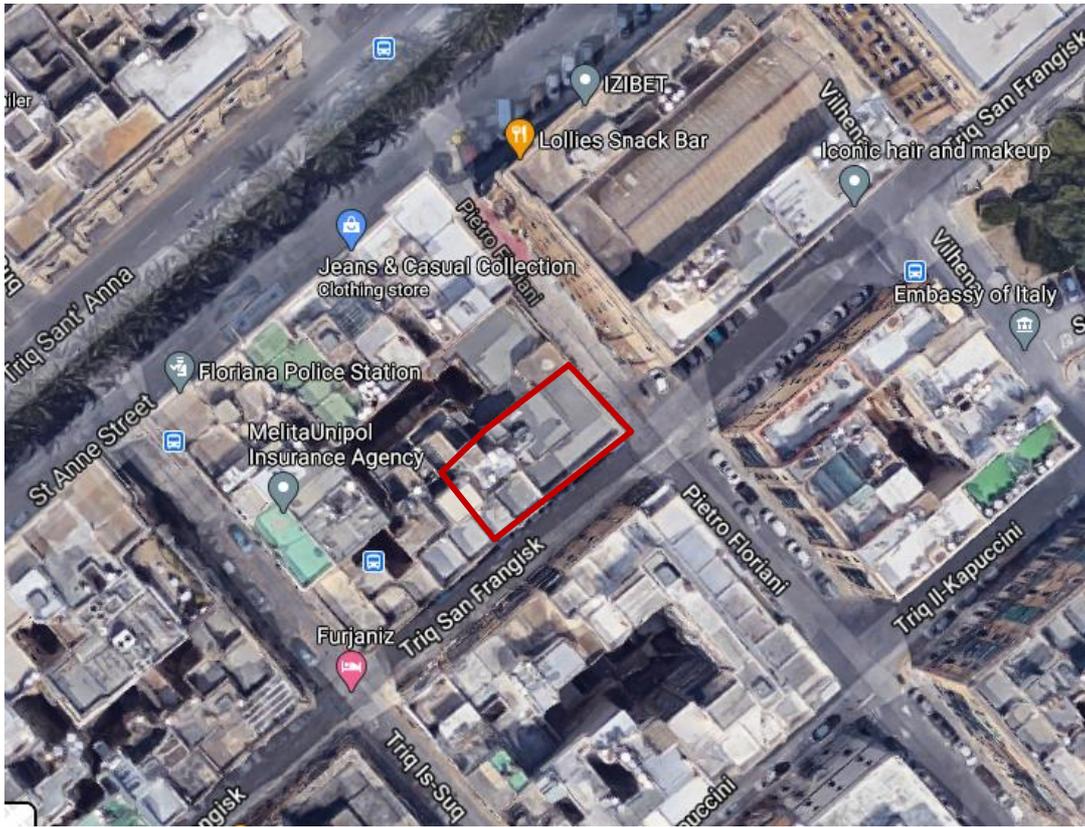
## Conclusion

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:

≈ **€2,500,000 (Two million and five-hundred thousand Euro)**



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



Site plan of the property



Elevation of the property