

VALUATION REPORT SUPPLEMENTARY BOOKLET



SAWYER FIELDING

Compulsory Purchase Surveyors



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THE PURPOSE OF THIS GUIDE

The purpose of this guide is to outline some of the key factors we have taken into consideration when valuing your property. This guide should be read alongside your Report.



To comply with regulatory and statutory requirements, we consider transactional evidence (asking prices have less relevance) along with the Compensation Code which is a body of various sources of law that governs Compulsory Purchase and compensation.



Transactional evidence is far more important than asking prices



Compensation Code (law governing Compulsory Purchase and Compensation)

TYPES OF PROPERTIES

When determining how much the market would pay for a property in the absence of regeneration, we have to consider who the hypothetical buyer would be likely to be

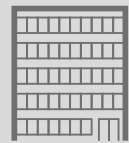
WHICH TYPE OF BUYERS EACH PROPERTY TYPE ATTRACTS:



NEW BUILD PROPERTY



NON NEW BUILD



EX COUNCIL PROPERTY



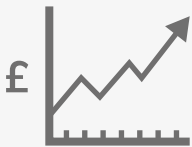
WHITE COLLAR PROFESSIONALS



FAMILIES



PROPERTY INVESTORS (LANDLORDS)



OVERSEAS INVESTORS



LOW TO MEDIUM INCOME



LOW INCOME RESIDENT OWNERS

In strong markets, prices often increase quicker than other properties. If buyers own incomes are rising faster than most others, they can afford more and compete with each other more, which pushes up prices quickly.

Families are looking for houses that suit their specific needs, but will also want to spend within a budget. This budget will often be determined by how well the housing market is doing as well as interest rates for mortgages. Families may overspend very slightly to suit their needs better.

The amount investors are willing to pay for a property will be determined in part by their return on investment. Local Housing Allowance (formerly Housing Benefit) has barely changed since 2010. However, taxation has increased for Landlords. Resident owners with low incomes that have barely moved over a number of years have restricted ability to compete in a bidding process, thereby keeping values suppressed.

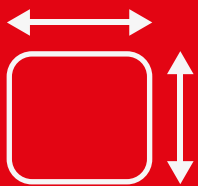
WHO IS IN THE MARKET?

Different types of properties are suited to different kinds of buyers, impacting on Market Value

We have to consider that if you were selling on the open market, with no threat of demolition, who would the likely buyer be and what would be their priorities?



Resident owners



Size



Modern kitchen and bathroom



Private outside space (especially post Covid-19)



Low crime levels



Landlords

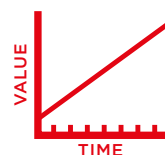


Number of bedrooms more important than size

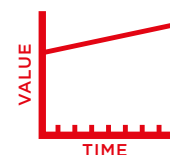
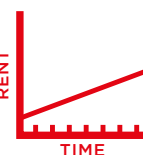


Rental potential

Landlords Investment options



Low rent, High growth in Market Value



High rent, Low growth in Market Value



Resident owners value space, condition and amenities. Landlords value the return on their investment and difficulty of managing it

Investment Option A

Investor buying one property with cash and no mortgage

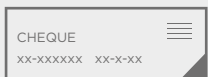
Investment Option B

Investor buying two properties with cash supported by mortgages



CASH AVAILABLE

CASH AVAILABLE
£300,000



CASH SPENT

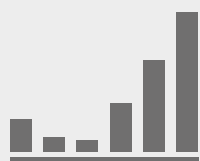
CASH PURCHASE PRICE
£285,000

PURCHASE FEES
£15,000



PROPERTY VALUE

PROPERTY VALUE
£285,000



MORTGAGE BALANCE

MORTGAGE BALANCE
£0

TOTAL VALUE OF ASSETS
£285,000



RENT (PCM)

RENT (PCM)
£1,500



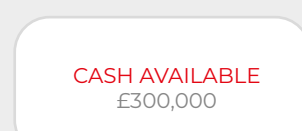
MORTGAGE (PCM)

MORTGAGE (PCM)
£0



MONTHLY PROFIT

MONTHLY PROFIT
£1,500



CASH AVAILABLE
£300,000

DEPOSIT
£117,500 (25%)

PURCHASE FEES
£32,500

DEPOSIT
£117,500 (25%)

PURCHASE FEES
£32,500

PROPERTY VALUE
£470,000

PROPERTY VALUE
£470,000

MORTGAGE BALANCE
£352,500

MORTGAGE BALANCE
£352,500

TOTAL VALUE OF ASSETS
£940,000

RENT (PCM)
£2,200

RENT (PCM)
£2,200

TOTAL RENT RECEIVED (PCM)
£4,400

MORTGAGE (PCM)
£580

MORTGAGE (PCM)
£580

TOTAL MORTGAGE (PCM)
£1,160

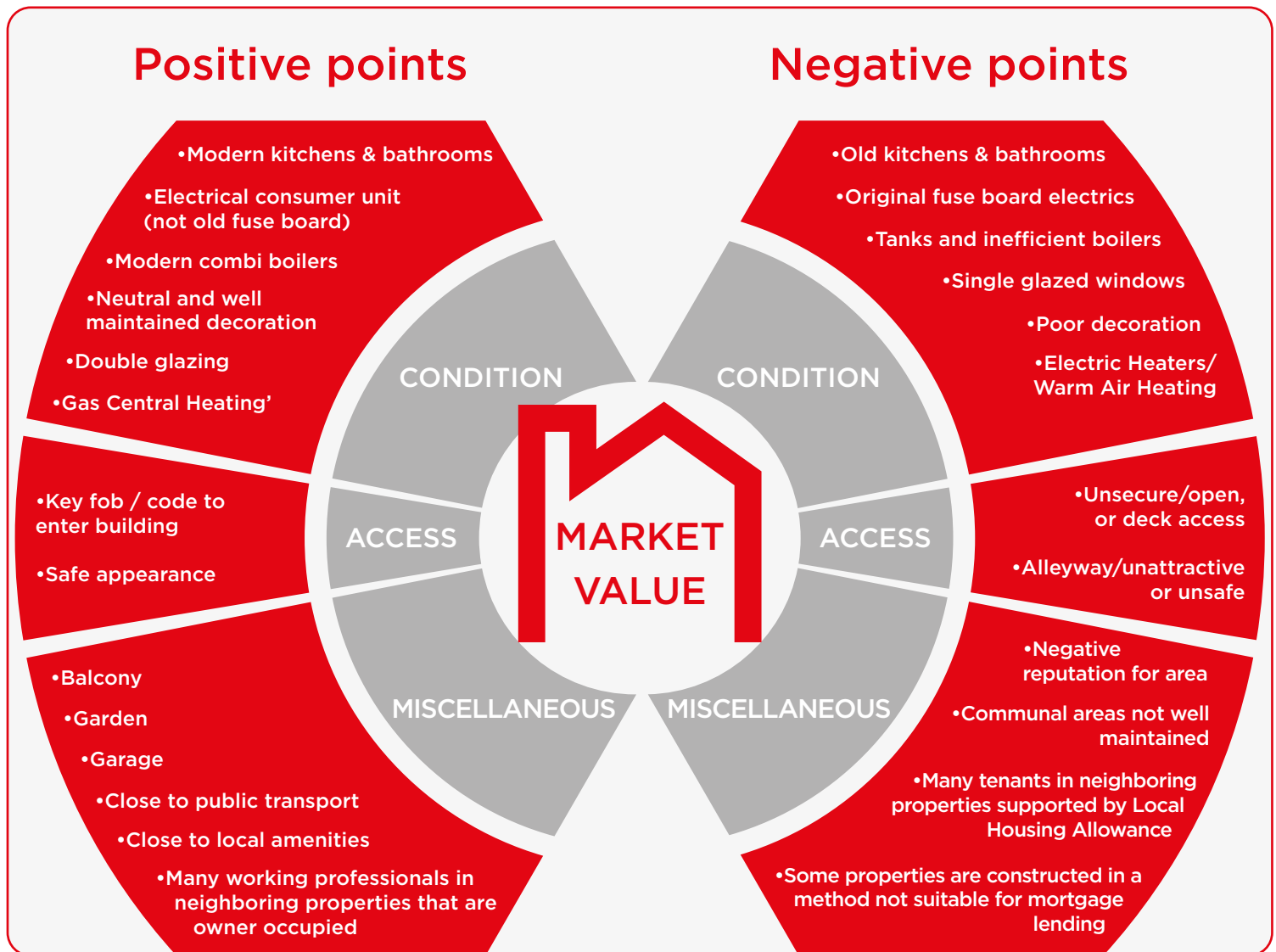
MONTHLY PROFIT
£3,240

In addition, if Market Values increased by 5%, the Market Value increase on option A would be £14,250. On Option B, it would be £47,000

With mortgage interest rates close to an all time low, many Landlords entering the market are choosing Option B.

Market Values and Market rents can increase or fall as can mortgage costs (illustration is interest only at approximately 2%). Above illustration

ISSUES CONSIDERED IN VALUATION



Suspension of the Decent Homes Standard

The Decent Homes Standard sets requirements that Council's should aim to achieve in modernising their housing stock. Typically they include items such as replacement of windows, installation of central heating systems and fittings of new doors, replacement kitchens and bathrooms. On regeneration estates, it is typical for these works to be suspended to avoid money being spent on items which are then soon demolished.

In the absence of a regeneration scheme which is how the law requires valuations to be carried out, the suspension would be lifted. In determining

Market Value, we are required to consider the impact of the potential liability a hypothetical buyer would have if the suspension of works was lifted, potentially with significant costs then payable.

It is a common negotiating position for Council's to suggest the costs of suspended works to be higher than we would consider reasonable. As a result, they often seek to reduce Market Values accordingly. In our valuation, we have made assumptions as to what we believe would be reasonable costs for the suspended works.

ISSUES CONSIDERED IN VALUATION

CONDITION AND QUALITY



Is there
Double Glazing?



Is there
Central Heating?



Old or modern
kitchen?



Old or modern
bathroom?



Neutral
decoration?



Boiler &
Electrics



Communal
Areas

Condition and quality makes a difference. In different markets, sometimes improvements add more value than they cost. In others, they don't.

MISCELLANEOUS



Terms of Lease



Restrictive
Covenants



Form of
ownership



Terms of tenancy



Size and grounds



Development
potential



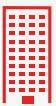
Date of Valuation



Planning &
Building
Regulations

Different kinds of valuations can include or exclude specific issues, subject to regulatory guidance. 'Getting it right' is crucial if your Valuation report is going to be fit for purpose.

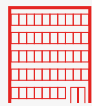
IS IT RESTRICTED TO CASH BUYERS?



High Rise



Micro studio
under 30sqm



Concrete
Construction



No Kitchen/
Bathroom



Short
Leasehold



Deck
Access



Derelict



Structural
Defects

Often, properties with the above characteristics are not suitable for a mortgage. Restricting buyers to those who can afford to pay cash can significantly reduce the Market Value

COVID 19, TAXATION AND HIGH RISE BLOCKS



High Rise blocks / Grenfell Tower fire

On 14th June 2017, Grenfell Tower in North Kensington suffered a fire with the tragic deaths of at least 71 people. The fire has been blamed on numerous things including poor safety provisions by the Local Authority such as 1) Lack of adequate sprinklers, 2) Poor quality external cladding and 3) Only one exit and entrance point. Hundreds more ex local authority tower blocks in London and around are thought to have similar problems.

Values for high rise ex local authority blocks have really suffered since Grenfell, with very few buyers prepared to risk being subject to significant major works costs to retro-fit sprinklers or make fire safe. Buildings with ACM, MCM or HLP panels (cladding) are often unsuitable for mortgages unless they have been designated fire safe with an EWS1 form.



Covid-19

Since Covid-19 first hit the United Kingdom, buyer priorities have changed. Periods of lockdown and self isolation in small properties has seen an increased focus on size. Being unable to leave the house for so long has seen an increased value of properties with gardens, whilst flats have comparatively struggled to sell. More and more people working from home have taken a focus away from being close to public transport links and added importance of somewhere suitable to work from. Properties in good condition have seen more of a premium as buyers expect better if they are going to be at home for longer. Large built up areas have suffered whilst smaller, more private areas have done well.

There have been significant regional and property type variations that we have had to consider in our valuation advice to you.

Taxation

Taxation on Landlords has regularly increased in recent years, proportionately far higher than most rental incomes have. For example, Landlords pay a higher rate of Stamp duty and mortgage relief is now often calculated at a lower percentage, providing greater taxes for Landlords. If your property is one where in the absence of regeneration, the likely buyer would be a landlord, this can hold back Market Values.



Thank you for being represented by Sawyer Fielding Ltd.

We recognise that living through Compulsory Purchase can be very difficult. Homes are far more than just a roof over your head. They are a place where you can feel relaxed, bring up a family, put down roots and thrive.

Whether your intention is to attempt to prevent Compulsory Purchase or merely ensure that you can afford to replace your home with somewhere suitable, our team of Surveyors and support staff are here to help.

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