

VALUATION GUIDANCE SUPPLEMENTARY BOOKLET



SAWYER FIELDING
Compulsory Purchase Surveyors



CHARTERED
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 the Assessment of Compensation or Valuation Report.



Determining a Market Value

- > We have used a combination of valuation experience and technical expertise in establishing the Market Value outlined in your Report.
- > To comply with regulatory and statutory requirements, we have considered 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.



RICS

the mark of
property
professionalism
worldwide

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 could be

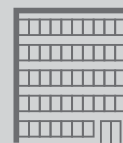
WHICH TYPE OF BUYERS EACH PROPERTY TYPE ATTRACTS:



NEW BUILD PROPERTY



NON NEW BUILD PROPERTY



EX COUNCIL PROPERTY



WHITE COLLAR PROFESSIONALS



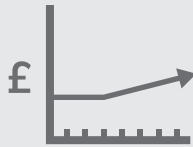
FAMILIES



PROPERTY INVESTORS (LANDLORDS)



OVERSEAS INVESTORS



LOW TO MEDIUM INCOME HOUSEHOLDS



LOW INCOME RESIDENT OWNERS

In strong markets, prices often increase above the average. The potential buyers who compete with each other see their incomes rise by above the national average and due to this, competition further increases values.

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 moved 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, which affects Market Values.

RESIDENT OWNERS

Where the hypothetical buyer is a resident owner, there is likely to be a far greater focus on the size of the property as well as its finish and condition.

Properties with gardens can provide a premium where the hypothetical buyer is a resident owner with a family including children.

This is especially so in areas with little public open space and for family sized accommodation such as three and four bedroom properties.

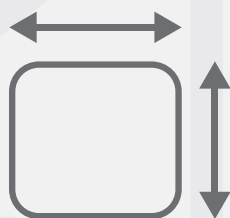
LANDLORDS

Most Landlords operate one of two investment strategies. Some want strong initial rental returns with low increases in Market Value and Rental Value over time. Others want lower initial rental returns with quicker growing Market Values and Rental Values.

The type of tenant a Landlord can rent out to will also be considered. The higher a tenants income, the more attractive they will be to Landlords. Landlords will consider the prospect of increasing rent over time and securing vacant possession when needed.

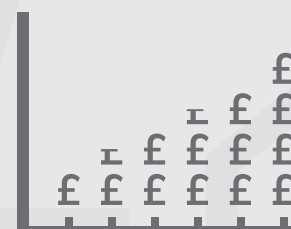
As the return on investment is the primary concern, the size and condition of properties has less impact on Market Value.

Resident owners value space; the larger a property, the higher the value.



Value space

Landlords value the return on their investment.



Value return on investment

Investment Option A

Investor buying one property with cash and no mortgage

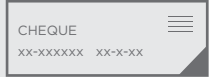
Investment Option B

Investor buying two properties with cash supported by mortgages



CASH AVAILABLE

CASH AVAILABLE
£300,000



CASH SPENT

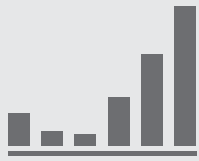
CASH PURCHASE PRICE
£285,000

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

PROPERTY VALUE
£470,000

MORTGAGE BALANCE
£352,500

TOTAL VALUE OF ASSETS
£940,000

RENT (PCM)
£2,200

TOTAL RENT RECEIVED (PCM)
£4,400

MORTGAGE (PCM)
£580

TOTAL MORTGAGE (PCM)
£1,160

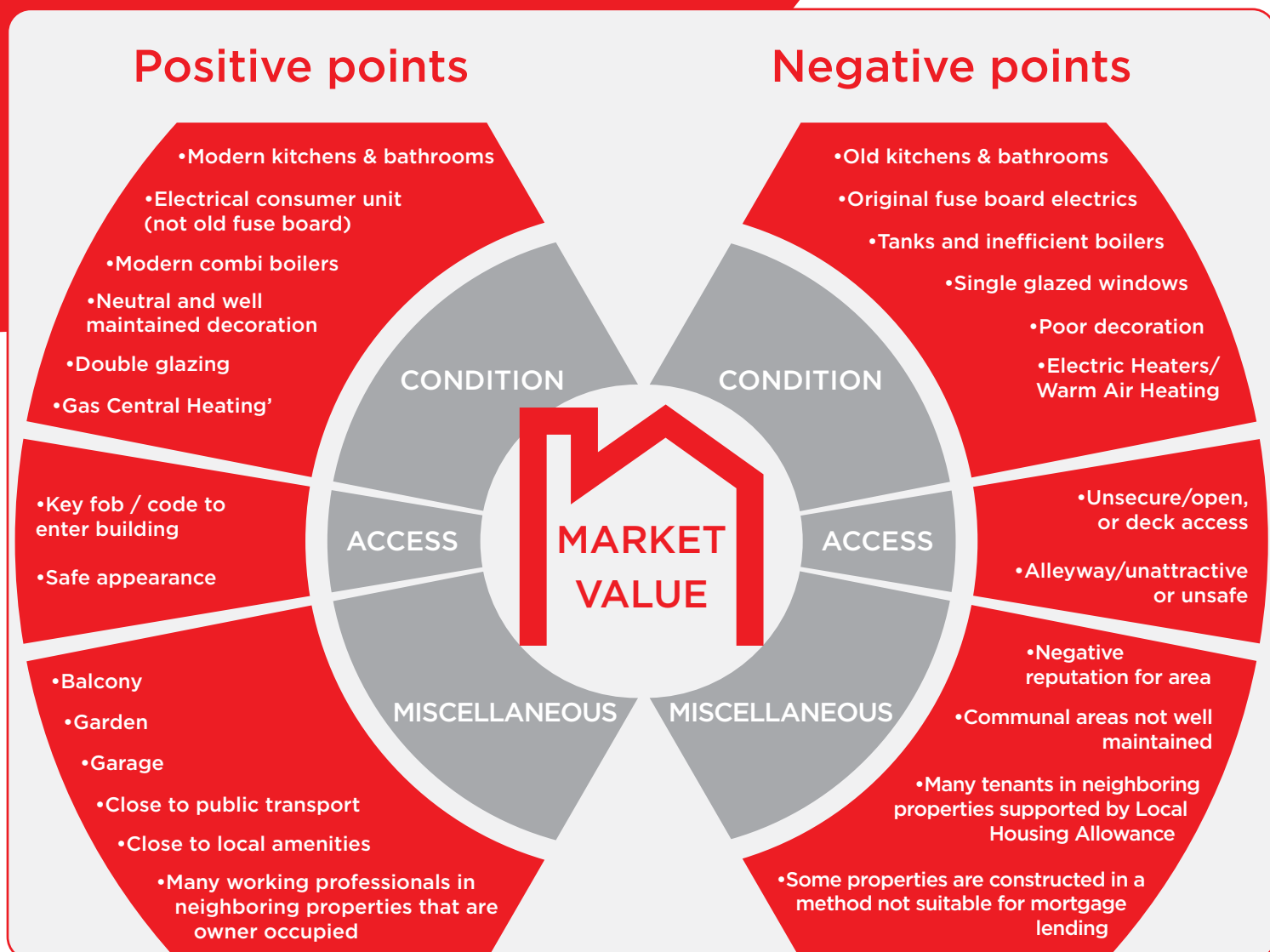
MONTHLY PROFIT
£3,240

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 is for indicative purposes only. Please take appropriate advice before entering into any financial commitments.

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.

BREXIT, TAXATION & HIGH RISE BLOCKS



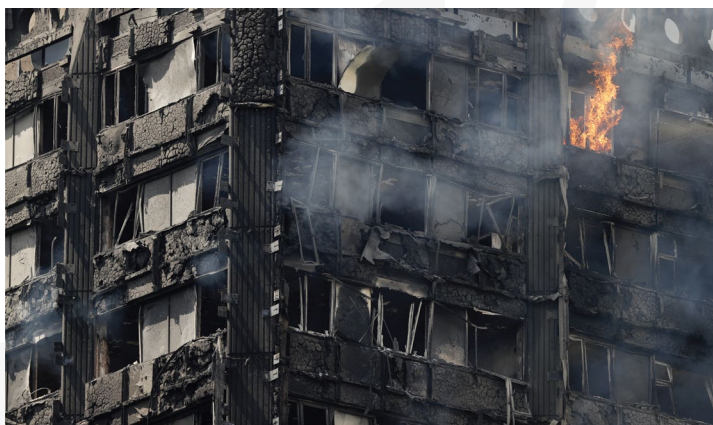
Taxation

On April 1st 2016, Stamp Duty increased for non-resident owners by 3% of a property's purchase price. For example, a Landlord would pay £9,000 more on Stamp Duty on a £300,000 property than they would have prior to the changes. Resident owners are not affected where the property is their main residence.

The removal of Stamp Duty for First time buyers for properties up to £300,000 and reduction above that up to £500,000 within London will help support the lower end of the market. The staggered removal of mortgage relief from April 2017 means that Landlords may pay more tax on rental properties.

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.



Brexit

The prospect of leaving the European Union is widely reported to have put deflationary pressures on Market Values. Whilst much of the media has exaggerated this in both our opinion and that of the Royal Institution of Chartered Surveyors, there is significant uncertainty in the market. We will therefore closely monitor our valuation advice. If the Market Value of your property does fall as a result of the United Kingdom exiting the European Union, values elsewhere may also fall.

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.

Until sufficient time has elapsed, there will not be enough data to fully analyse the effect on Market Values of ex local authority high rise blocks of the fire at Grenfell Tower. As such, we shall keep our advice on such blocks under review.



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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