Vickery Holman
Property Consultants

GENERAL PRACTICE NEWSLETTER SUMMER 2018

Growth of General Practice Service

By Robert Beale
Director, Head of General Practice
rbeale@vickeryholman.com
01872 245609

I am delighted to see the continual growth in the service in terms of both number of surveyors employed, turnover and profit that we can contribute to the wider company. With demand for our services continuing to grow we have been able to recruit good quality staff across all levels enabling us to assist clients across the whole of the South West including our expanded coverage offered from the Bristol office.

Our 100% success rate with graduates undertaking their APC has produced a reputation that enables us to attract graduates seeking to further their careers in the profession whilst we have the benefit of those with more grey hair than they would wish to have – but which symbolise the invaluable years of experience in the SW market that clients and colleagues rely on.

I hope that you find the articles in this newsletter of some use to you or a client and if any of us can be of assistance our contact details are also provided.

Mortgage considerations: Residential leasehold premises

By Jane Falkner
Associate
jfaulkner@vickeryholman.com
01752 276253

If you own a residential leasehold property, be it a flat or a house, and have 85 years or less left on the lease term, it would be prudent for you to start thinking about extending the term or acquiring the freehold.

Mortgage lenders requirements for unexpired lease terms are getting ever more stringent, and vary from lender to lender, which will impact on your ability to either sell or re-mortgage your property when the time comes. Halifax and Lloyds for example look for a minimum 70 year unexpired term at the start of the mortgage, whilst HSBC require a minimum of 30 years plus the mortgage term, or 35 years plus the mortgage term for buy to lets.

The options available

- If you own a leasehold flat with an original term of 21 years or more, and have done so for at least 2 years, you 'qualify', and have the right to extend your lease for an additional 90 year period at a peppercorn (nil) rent.
- Alternatively, but slightly more complicated, you could collectively enfranchise (buy the freehold of your building) providing that at least 50% of the flats (with 'qualifying' tenants) participate and that the building itself meets certain criteria.
- Thirdly, whilst less common in the South West, if you own a leasehold house on the same basis as above, you have the right to buy the freehold.

The amount you pay for of the above options reflects the outstanding rent due under the existing lease and the landlords reversionary interest.

In addition for leases with 80 years or less to run, the premium also includes an additional figure - 50% of 'marriage value', which is the potential increase in the value of the property after the grant of the new lease.

Consequently if you have a lease with 85 years unexpired we would recommend you consider our options sooner rather than later.

EPC Rule Changes

By Sophie Endacott
sendacott@vickeryholman.com
07515 993326

April Fools day saw the introduction of MEES. Where a property cannot be let or a lease cannot be renewed if the property has an EPC rating of F or G. The onus of this falls solely on the Landlord, who will have to bear the costs of the works.

There are exemptions available, these exemptions are valid for 5 years and cannot be transferred to a new landlord:

- The 'Golden Rule' which is that if the works cannot be recovered from the energy savings within 7 (seven) years
- If the energy efficiency improvements that need to be made to the property, will see its Market Value reduce more than 5%
- If a Tenant, Superior Landlord or Planning Authority refuse to grant their consent to the works being undertaken

The penalty for renting out a property for a period of fewer than three months in breach of the MEES Regulations will be equivalent to 10% of the property's rateable value, subject to a minimum penalty of £5,000 and a maximum of £50,000. After three months, the penalty rises to 20% of the rateable value, with a minimum penalty of £10,000 and a maximum of £150,000.

Where a property is let in breach of the MEES Regulations or where a penalty is imposed, the lease between the landlord and the tenant remains valid and in force.

We anticipate that MEES will influence the market, potentially seeing an adjustment in rental levels to reflect a 'compliant and non-compliant' property. Particularly when it comes to rent reviews, the assumption of an 'open market letting' would have to reflect the works a Landlord would have to do to re-let an F rated property, which would have to be factored into the negotiation.

With the minimum level increasing to E on 1st April 2023, a D rating in April 2025 and finally a C rating in April 2030, this is something that Landlord's will have to become increasingly aware of their liability. We recommend Landlord's seek professional advice and contact Vickery Holman are ready to assist you and ensure that your property is 'future proofed'

House in Multiple Occupation (HMO's) – The Charge

By Charles Berry
cberry@vickeryholman.com
01392 453020

With recent changes to Stamp Duty Land Tax, the HMO investment market is growing in the South West as an alternative to your traditional commercial and buy-to-let (BTL) investments. We have recently been involved in valuing several HMO's units across the South West gaining an excellent understanding to the valuation fundamentals.

Local planning authorities now have the local power to issue Article 4 Directions intervening the local market and restricting the change of use between private dwellings and HMO's. HMO properties fall within a unique use class of C4 or Sui Generis differing from private dwellings C3. Due to this change of use, valuers must consider HMO's as a separate use class. Indeed, the low maturity of the HMO market still creates challenges for valuers in obtaining good comparable evidence.

The fundamentals of rent and yield remain paramount to the valuation of HMO's. These factors are known to be much more volatile than establishing the capital value of a single dwelling. An example may include a high rent and a low yield applied to a property in a stable market, which subsequently due to macro-economic factors could see rents decline and yields lengthen within a short timeframe.

When valuing an HMO, the valuers ability to rely on transactions of similar houses and single dwellings is not a safe fall-back position. Furthermore, the investor expectation compared with valuation reality in the deductions between gross and net rent continues to raise hackles. These ongoing issues highlight the importance in valuation experience and professionalism when valuing HMO properties.

Economic Viability Assessments (EVA's)

By Stephen Maycock
smaycock@vickeryholman.com
01872 242720

With build costs expected to rise on average by 3.7% a year over the next 5 years (BCIS) and house price growth reportedly beginning to level out as supply increases, we are likely to see a further squeeze on the viability of development projects.

EVA's are central in the development process and a link between satisfying planning policy and delivering viable development. The assessment is carried out in the form of an appraisal and recommendations report to the Local Planning Authority that establishes weather a scheme is 'optimal' i.e. provides an appropriate mix and type of housing, the value (GDV) of a proposed scheme, the associated costs of developing the property, the development risk and effect of policy compliant obligation. The different types of planning obligation vary from Local Authority, location/nature of site and size of development proposal.

The appraisal method is used to assess either the level of return or site value which is then benchmarked having regard to local market evidence. The viability exercise ultimately determines the level (%) and split (tenure mix) of affordable housing (or off-site contribution) and amount of community contribution (£) that can be viably supported on a scheme.

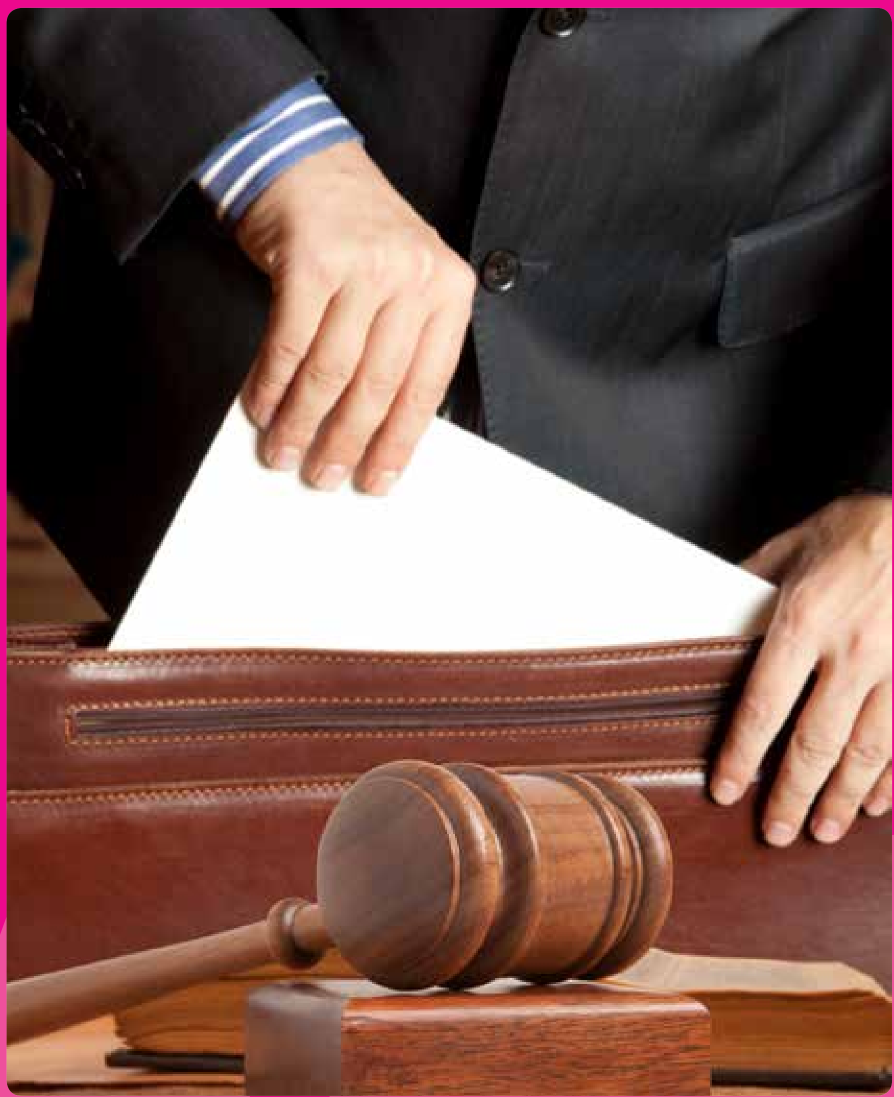
Seeking professional advice early is important not only in ensuring a scheme is viable but will help avoid delays and untenable planning agreements that threaten the deliverability and success of projects.

EVA's are only as good as the information used. With offices across the region and a mix of Valuation Surveyors, Building Surveyors and agents active in the market, we are well placed to assist developers and landowners in providing EVA's and other appraisals.

Staircase Tax Reversal

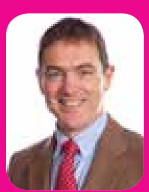
By Rebecca Cook
rcook@vickeryholman.com
01872 245526

Following an announcement by Phillip Hammond in the autumn budget, draft legislation has now been published to revoke the so-called 'staircase tax'. The controversial tax has affected many businesses operating within communal office buildings, where the premises is separated by corridors, lifts or stairs, or spread over separate floors and not considered self-contained. In August 2017 a Supreme Court ruling, Woolway v Mazars, defined what is meant by a single business space, which saw the Valuation Office split numerous office assessments as part of the revaluation and backdate ratepayer's liability to 2015. This affected many businesses that previously qualified for Small Business Rates Relief.



The draft legislation proposes the ratepayer may request for their assessments to be re-merged through the business rates appeal system and their valuations recalculated based on previous practice. The ratepayer may then request for their rates bill to be recalculated and backdated, this includes those firms who lost small business rate relief. There are, however, instances where the splitting of rating assessments has been of financial benefit to the ratepayer. We would therefore recommend seeking professional advice before taking further action.

Development Services



By Greg Oldrieve
Head of Development Services
goldrieve@vickeryholman.com
01872 245603

As part of Vickery Holman's Development Services specialism, we can offer support to land owners and developers to optimise the value of their assets or development. A key element to a successful development is building the right products. Clients use our valuation skills alongside their designers to find the optimum scheme for a site. In this endeavour we review the local residential market to determine where to find the best value and added value in style mix and specification of product. This service is well suited to the smaller contractor developer who has great building skills but possibly a little inexperienced as a developer.

We help clients amend existing consented proposals to achieve viability that can involve a new planning application or a variation. Local planning authorities encouraged by central government are keen to unlock stalled development sites and are opened to consent and S106 variations where they are genuinely necessary to create a viability and thereby new houses.

Development Services covers the breath of Vickery Holman's expertise including Valuation, Building Surveying and Commercial Agency. Where clients have limited experience or limited capacity we are able to fill the gaps and co-ordinate internal and external services to provide an overarching Development Management Service which is proving very popular with new aspiring developers.

Our Services

Business Rates Consultancy

- Check, Challenge, Appeal
- Business Rates Mitigation
- Business Rates Auditing

Development Consultancy

- Strategic Development Advice
- Land Acquisition & Disposal
- Viability Appraisals
- Planning
- Project Delivery/ Management

Dispute Resolution

- RICS Panel Arbitrator & Independent Expert
- Appointments Either by the RICS or Individuals
- Able to Act on a Range of Litigation Issues

Lease Consultancy

- Lease Renewals
- Rent Reviews
- End of Lease Liabilities
- Asset Management including Lease Re-structuring & Break Options

Valuation

- Asset Valuations
- Capital Gains Tax
- Charity Act Valuations
- Expert Witness
- Inheritance Tax
- Matrimonial Valuations
- Secured Lending
- Section 18 Valuations
- Stamp Duty

Contact us:

Robert Beale MRICS
Director, Head of General Practice
DD: 01872 245609
Mob: 07970 715448

Charles Berry MRICS
DD: 01392 453020
Mob: 07876 873708

Rebecca Cook
DD: 01872 245526
Mob: 07515 993325

Sophie Endacott MRICS
Mob: 07515 993326

Jane Falkner MRICS
Associate
DD: 01752 276253
Mob: 07976 318206

Nick Holman FRICS ACI Arb
Head Of Dispute Resolution
DD: 01752 273833
Mob: 07967 499945

Samantha Johnson MRICS
Associate
DD: 01392 453024
Mob: 07921 058088

Stephen Maycock MRICS
DD: 01872 242720
Mob: 07813 153124

Chantal Molony MRICS
Associate
DD: 0117 4286555
Mob: 07814 126884

Nicola Murrish MRICS
Associate, Head of Rating
DD: 01872 245602
Mob: 07841 150717

Greg Oldrieve MRICS
Head of Development Services
DD: 01872 245603
Mob: 07813 930744

Mark Pellow MRICS
Managing Director
DD: 01392 453019
Mob: 07785 971450

John Tyas MRICS
DD: 01392 453015
Mob: 07976 166092

Oliver Yeoman
DD: 01752 273834
Mob: 07841 150716

Vickery Holman
Property Consultants

BRISTOL OFFICE
Clifton Heights, Triangle West, Bristol BS8 1EJ Tel: 01174 286555

EXETER OFFICE
Balliol House, Southernhay Gardens, Exeter, Devon EX1 1NP Tel: 01392 203010

PLYMOUTH OFFICE
26 Lockyer Street, Plymouth, Devon PL1 2QW Tel: 01752 261811

TRURO OFFICE
Walsingham House, Newham Quay, Truro, Cornwall TR1 2DP Tel: 01872 245600

Sales & Lettings / Building Surveys / Construction Management / Valuations / Business Rates Appeals / Lease Advice / Property Management