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Buy-to-let valuations in 2024

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Agenda

- ✓ Challenges within the market
- ✓ Housing market update
- ✓ Different types of buy-to-let valuations
- ✓ Valuation appeals
- ✓ Case study – rights of access
- ✓ Fireside chat with local surveyors

Summary of key learnings; An overview of the market nationally along with the different types of valuations available and how surveyors will assess the properties. Tips for giving your clients the best chance of succeeding in a valuation appeal, case study showing how rights of way can cause issues. Finally, a fireside chat with local surveyors to answer questions about the market.

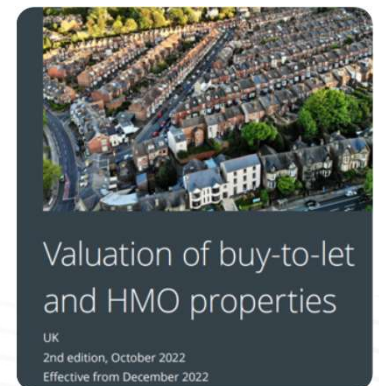
Challenges within the market

- Number of RICS registered valuers – **12,639**
- Panel restrictions/desire to inspect complex properties
- Increasing rents but stable sale prices
- Embracing technology/AVMs
- New EPC methodology
- Creation of new property datasets



Regulation in the specialist valuation sector

- Housing Act 2004
- The Management of Houses in Multiple Occupation (England) Regulations 2006
- The Housing Health and Safety Rating System
- LACORS Fire Safety Standards
- Housing and Planning Act 2016
- Homes (Fitness for Human Habitation) Act 2018
- Energy Efficiency Standards (MEES)
- The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018 details the licensing requirements for mandatory HMOs
- The Licensing of Houses in Multiple Occupation (Mandatory Conditions of Licences) (England) Regulations 2018 introduced new minimum bedroom sizes
- The Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020
- Published Local Authority guidance



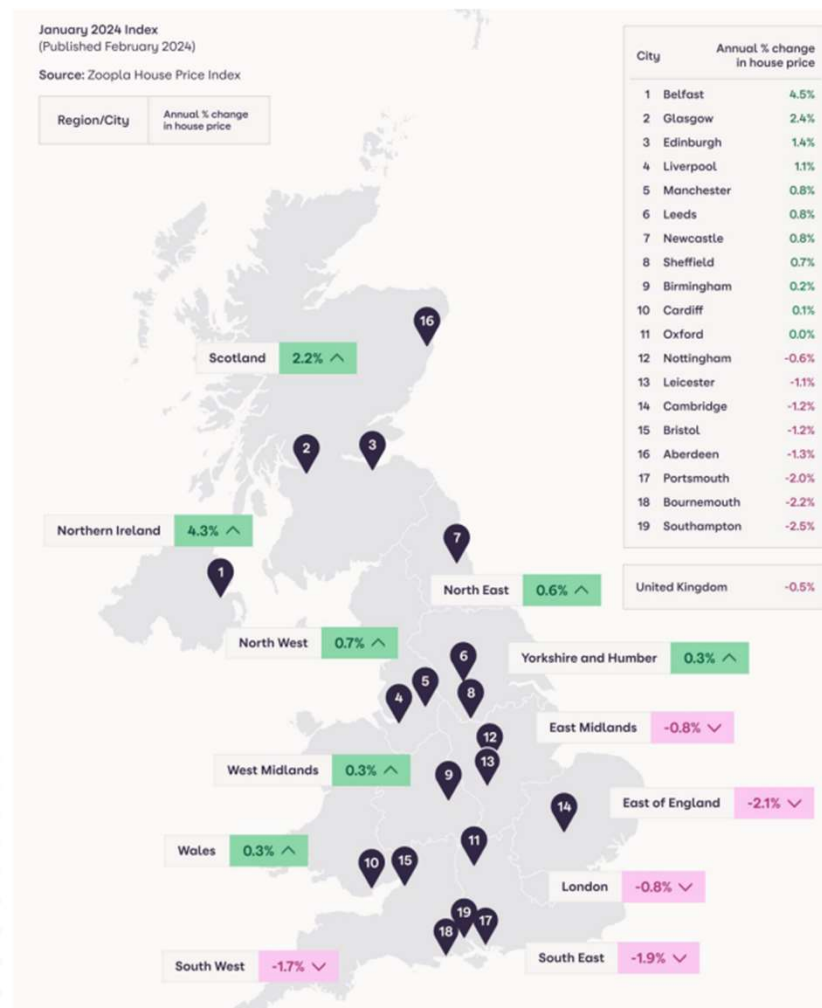
**Non-compliance affects
value saleability and
lettability**

Housing market

- The market is showing resilience, impact on prices has been relatively modest
- Prices are now expected to remain stable or see a small uplift in 2024
- Realistic pricing is critical to securing a sale within a reasonable timescale
- Transactions are forecast to increase by 10%
- Nationally, supply is improving as agents take on more new listings
- The first-time buyer sector is robust, and flats are seeing an increase in demand
- The rental sector continues to perform strongly with an ongoing demand/supply imbalance
- Average rental value increases are expected to moderate during 2024 to around 5%
- The HMO and student markets are performing well with good occupancy levels
- Location, quality and regulatory compliance remain important considerations



A more positive tone is coming through in all the forward-looking indicators



Valuation types within buy-to-let

- Bricks and mortar
- Part/part
- Investment
- Sum of parts



How can brokers help

- Correct access details

Access A&E Department, Huddersfield Royal Infirmary

- Importance of access to all areas
- Encourage landlords to attend for portfolio refinance
- Planned works/conversion
- Lease extension details



Lease extension



www.lease.advice.org

Extending lease with less than 80 years remaining will attract “marriage value”

The “**marriage value**” is the increase in the value of the property following the lease extension. It reflects the increased market value of the longer lease. Because this potential ‘profit’ only arises as a result of the landlord’s obligation to grant the new lease, by law it must be shared equally between the landlord and the leaseholder.

The screenshot shows the website's interface for a lease extension calculator. At the top, there is a search bar with the text "Search: e.g. section 20" and a magnifying glass icon. Below the search bar is a dark blue navigation bar with links for "TOPICS", "FIRE SAFETY", "TRIBUNAL DECISIONS", "WALES", "PARK HOMES", "CONTACT", and "E-LEARNING". The main heading is "Lease extension calculator for flats". Below this, a note states: "Please note that there are plans for reform of the valuation principles." The "Location of the flat:" section has two radio button options: "Outside Prime Central London" (selected) and "Prime Central London". A note explains that Prime Central London (PCL) includes areas like Knightsbridge, Belgravia, Mayfair, Chelsea, Kensington/Holland Park, South Kensington, Regent's Park, Notting Hill, St John's Wood and Marylebone. The "Long lease value of flat:" section includes a text box for the expected value of the flat with a long lease, after a lease extension, with instructions to enter the amount in pounds without commas or decimal points (e.g., £200000, not £200,000.00). The "Current Ground Rent:" section has a text box and a note that the calculator does not take into account rising ground rents. The "What is the expiry date of the lease?" section has a text box with instructions to use the format dd/mm/yyyy. A "Calculate" button is at the bottom.

Valuation appeals

From: [REDACTED]
Sent: Tuesday, April 11, 2023 10:46 AM
To: Jason.wilde@paragonbank.co.uk
Subject: Valuation appeal case ref# [REDACTED]

Hi Jason

I wonder if you can help me with regards to a valuation we've received on the above application, it's clear the valuer hasn't got a f[REDACTED]g clue what they're talking about. My client has spoken to an agent within the area who suggests they would market the property for £340,000, yet the valuer has returned a figure of £325,000. This impacts the maximum loan available so we need to appeal this, or ask for another valuer to give their opinion.

Please find attached a copy of the best price guide provided by the agent and details of other properties they currently have on the market.

Regards

From: [REDACTED]
Sent: Tuesday, April 11, 2023, 18:37 PM
To: Jason Wilde <Jason.Wilde@paragonbank.co.uk>
Subject: Valuation appeal case ref# [REDACTED]

Hi Jason

Following on from our earlier conversation, I have had a chance to review my site notes on this one and can confirm that the property in question was actually on the market as recent as February this year. with a guide price of £340,000. The agent in question had a few offers between £320,000 and £325,000 but despite this being in the region of their original market assessment, they couldn't secure a sale with the Vendor and the property was eventually removed from the market.

With regards to the best price guide, the only two sold properties are STC, they're both larger with off road parking, so they can't be used as comparable evidence, the rest are other properties on the market which haven't sold. So unfortunately, there is no evidence at all to support an uplift in the property value.

Regards

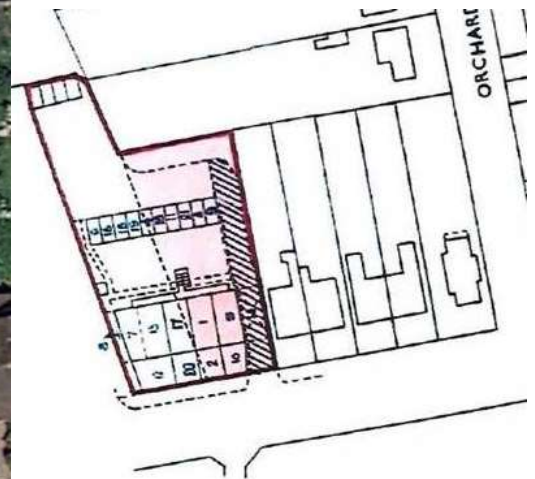
[REDACTED]

Valuation appeals

- Minimum of three directly comparable properties or reasonably comparable with explained differences
- PDF of sales/lettings particulars, including address, postcode and internal photos
- Actual confirmed completed sale prices or rental values achieved
- Distance – should be as close as possible to subject property
- Ideally within six months, with confirmed dates of sale/letting

Case study – Mortgage of Part

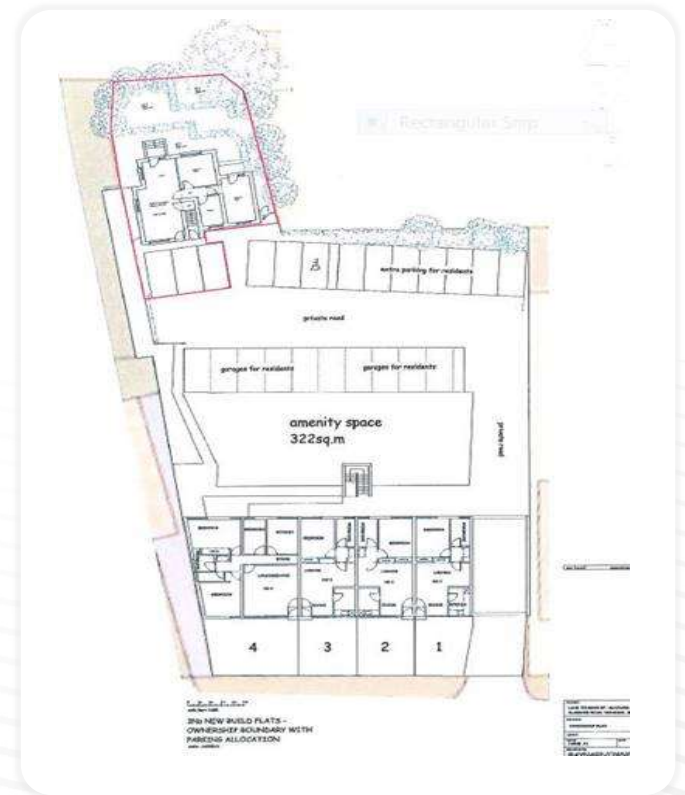
Proposed security, flats 11-13, Windsor
Property does not match Land Registry



Case study – Mortgage of Part

Flats are landlocked, access required

Unable to enter into a contract with themselves to grant access



Possible solution

s.62 of the Law of Property Act 1925 (Wheeldon v Burrows)

“Even when there is no express easement granted under a deed it may still be possible for a property to have the benefit of an easement by implication over another’s property”

Concern

Unless the borrower cooperates or we have a buyer who is relaxed, the lender could have to go to court for a declaration that the properties do indeed have these rights in equity.

Actual solution

Flats 1-10 and 11-13 were offered as total security under single freehold.



Slide 14

JO Can we add a graphic to this page to flesh it out?
Jason, 2024-04-02T15:09:38.179

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Fireside chat
with....





QUESTIONS?