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VALUATION REPORT

London

PREPARED ON BEHALF OF:

Client

JOB REF:

London

PREPARED BY:

MRICS

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1.0 IDENTIFICATION

This valuation has been carried out by MRICS for and on behalf of Harding Chartered Surveyors, who is experienced in carrying out valuations of this nature. Enquiries within Harding Chartered Surveyors have not revealed any conflict of interest.

... is a registered valuer under the RICS Registered Valuer Scheme number 50XXXX.

2.0 CLIENT

Client

3.0 PURPOSE OF VALUATION

To assess the premium to be paid for a statutory collective enfranchisement under the Leasehold Reform Housing and Urban Development Act 1993, so that that figure can be quoted in your section 13 notice.

4.0 PROPERTY TO BE VALUED

London

4.1 Date of Inspection

1st January

4.2 Interest to be Valued

The freehold premium is to be valued based on the current lease terms of two flats in the building.

4.3 Tenancies

Flat 1: Date : 24 April 1990
Term : 125 years from 25 December 1989
Rent : £50 rising to £150
Thus there are, 94.08 years remaining on the lease.

We have reviewed the lease and confirm the ground rent increments are, first 25 years paying £50, second 25 years paying £75, third 25 years paying £100, fourth 25 years paying £125 and final 25 years paying £150.

Flat 2:
Date : 08 January 1982
Term : 125 years from 25 December 1981
Rent : £40 (not rising)
Thus there are, 86.08 years remaining on the lease.

We have reviewed the lease and confirm there are no ground rent increments, it remains at £40 for the entirety of the lease.

4.4 Type and use of Property

The subject property is an end of terrace dwelling purpose built into two self contained flats each with their own garden.

Flat 1 is a three bedroom flat situated on the ground floor, currently let out to tenants.

Flat 2 is a three bedroom flat but has been converted to provide four bed sit rooms, with no living room, all let out to tenants.

4.5 Location

...Road runs generally in a east to west direction between Lane and ... Lane. The subject property is located on the south side of ... Road.

The property is located in the London Borough of Brent.

There are a good selection of local convenience stores, café's, bars, restaurants and shops within reasonable distance.

The nearby properties consist of residential properties.

The train station is approximately 0.5 miles to the north from the property, providing good transportation into Central London.

4.6 Description

Flat 1 is a ground floor purpose built flat, 3 bedrooms with living room and bathroom and separate kitchen. The floor coverings are laminate and carpet throughout. The windows are uPVC double glazed. There are pendant lights throughout. There is a private rear garden.

Flat 2 is a self contained purpose built first floor flat arranged as 4 individual bed sit rooms. 2 of the rooms have en-suites and the other 2 share a bathroom. There is a separate kitchen. The floor coverings are carpet throughout. The property has a private rear garden.

The building was originally constructed approximately in 1900. The property is constructed of solid brickwork with painted exterior beneath a pitch tile roof.

Only on street parking is available, however a residents parking scheme operates in the immediate area.

Photo 1 - Bathroom

Photo 2 - Kitchen

Photo 3 - Bedroom

Photo 4 - Bedroom

Photo 5 - Living Room

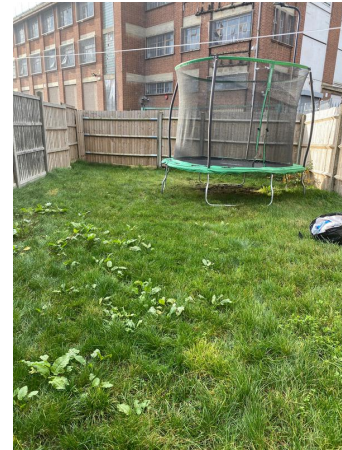


Photo 6 - Rear garden



Photo 7 - Rear of property

Photo 8 - Kitchen

Photo 9 - Bathroom

Photo 10 - Bedroom

Photo 11 - Bedroom

Photo 12 - Bedroom



Photo 13 - Rear garden

Photo 14 - Rear of property



Photo 15 - Loft conversion and mansard

Photo 16 - Subject street

Photo 17 - Entrances to flats

Photo 18 - Side passage next to property

Room	Dimensions
Flat 1 - Ground Floor	
Living Room	3.55m x 3.62
Bedroom 1	3.74m x 3.99m
Bedroom 2	3.38m x 2.4m
Bedroom 3	3.57m x 3.27m
Kitchen	1.85m x 2.53m
Bathroom	1.7m x 2.1m
Hallway	10.2m x 0.9m
Flat 2 First Floor:	
Kitchen	3.56m x 2.76m
Bathroom	1.21m x 1.81m
Bedroom 1 with WC	3.36m x 3.36m
Bedroom 2	2.44m x 3.03m
Bedroom 3 with Ensuite	3.8m x 4.13m
Bedroom 4 with Ensuite	3.78m x 5m

4.7 Floor Area

We have measured the property with a laser measurer in accordance with the International Property Measurements Standards (IPMS) 3B - Residential to have a floor area of approximately:

Flat 1 (Ground Floor Flat): 80 m²

Flat 2 (First Floor Flat): 88 m²

IMPS 3B Residential is defined in the RICS Property Measurement 2nd edition as "The area in exclusive occupation, including the floor area occupied by internal walls and columns, measured to:

- * the internal dominant face and
- * the finished surface of shared walls.

5.0 BASIS OF VALUE

The Basis of Value will be as defined in Schedule 6 of the Leasehold Reform Housing and Urban Development Act 1993 as amended by the Commonhold and Leasehold Reform Act 2002, that being the aggregate of:

- (a) the value of the freeholder's interest in the premises as determined in accordance with paragraph 3,
- (b) the freeholder's share of the marriage value as determined in accordance with paragraph 4, and
- (c) any amount of compensation payable to the freeholder under paragraph 5.

The value of the freeholder's interest in the specified premises is the amount which at the valuation date that interest might be expected to realise if sold on the open market by a willing seller (with [no person who falls within sub-paragraph (1A)] buying or seeking to buy) on the following assumptions—

- (a) on the assumption that the vendor is selling for an estate in fee simple—
 - (i) subject to any leases subject to which the freeholder's interest in the premises is to be acquired by the nominee purchaser, but
 - (ii) subject also to any intermediate or other leasehold interests in the premises which are to be acquired by the nominee purchaser;
- (b) on the assumption that this Chapter and Chapter II confer no right to acquire any interest in the specified premises or to acquire any new lease (except that this shall not preclude the taking into account of a notice given under section 42 with respect to a flat contained in the specified premises where it is given by a person other than a participating tenant);
- (c) on the assumption that any increase in the value of any flat held by a participating tenant which is attributable to an improvement carried out at his own expense by the tenant or by any predecessor in title is to be disregarded; and
- (d) on the assumption that (subject to paragraphs (a) and (b)) the vendor is selling with and subject to the rights and burdens with and subject to which the conveyance to the nominee purchaser of the freeholder's interest is to be made, and in particular with and subject to such permanent or extended rights and burdens as are to be created in order to give effect to Schedule 7.

6.0 VALUATION DATE

1st January

7.0 SPECIAL ASSUMPTIONS

We have assumed that the Landlord and the Lessees have each complied with their repairing and decoration obligations under the terms of their lease.

8.0 ASSUMPTIONS AND EXTENT OF INVESTIGATIONS

8.1 Title

It is assumed that there are no encumbrances on title and that there is good marketable title, that there are no unusual or onerous restrictions relating to the use of the property. That a local search would not reveal any unusual restrictions, encumbrances or outgoing. This should be checked by your legal advisers. No responsibility or liability will be accepted for the true interpretation of the legal title in the property or asset.

8.2 Condition of Buildings

A structural survey was beyond the scope of our instructions and accordingly one was not carried out. We have assumed that a detailed survey would not reveal any materials defects that would affect the value.

The property is assumed to be in satisfactory repair where the landlord and tenants have upheld their duties of maintenance and there are no structural issues.

8.3 Services

The property is assumed to benefit from mains electricity and water and in some cases gas. Waste is presumably to the public sewer.

No tests of the services were carried out.

We have also assumed that the services and any associated controls or software are in working order or free from defects and that there are rights to use all connected services without unusual restrictions or associated costs.

8.4 Planning

We assume that there are no outstanding planning, building control, or any other statutory restrictions.

We have not made any enquiries of the local Planning Authority as to the planning

history of the buildings.

For the purposes of this valuation report we are assuming that the authorised use is the same as the actual use of the property and that there are no enforcement proceedings contemplated or pending. We are also assuming that the property complies with all other statutory requirements

8.5 Highways

It is assumed sewers, mains services and the roads giving access to the property have been adopted and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and use of communal grounds, parking areas and other facilities.

8.6 Contamination and Hazardous or Deleterious Materials

We are not aware of the presence of any hazardous or deleterious materials that may have been used in the construction of these buildings, or that may have subsequently been incorporated.

Given that such materials may be hidden in the structure in inaccessible places, and the restrictions on our inspection, we cannot guarantee that no such materials exist in this building.

The presence of such materials can result in very high levels of expenditure and inconvenience in stripping them out.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigation into past or present uses, either of the subject property or of any neighbouring land to establish whether there is any contamination or potential for contamination to the subject property from these uses or sites. We have therefore assumed that none exists but cannot guarantee that this is the case.

8.7 Rating

Enquiries of the Valuation Office Agency revealed that both flats are band C for Council Tax purposes.

8.8 Environmental Matters

We have assumed that there are no environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations.

8.9 Mining

We have assumed that there is no risk from mining in the area.

8.10 Flood Risk

Enquiries of the Environmental Agency's Flood Map for Planning revealed that the property is within Flood Zone 1.

Property in Flood Zone 1 have a low probability of flooding.

8.11 Radon

Enquiries of UK Radon revealed that the property is in a low risk area for Radon.

8.12 Sustainability

As of the 1st April 2018 the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 better known as the Minimum Energy Efficiency Standards will require landlords to ensure property has received at least an E or above EPC rating before it can be let. Subject to certain exemptions.

This will apply to all new lets and renewals of tenancy with effect from 1st April 2018 and for all existing tenancies on the 1st April 2020.

9.0 SOURCE OF INFORMATION

The Valuer has relied upon the information provided by the Client or the Client's advisers and will assume that such information is accurate.

In arriving at our valuation, we have had reference to information provided from:

- Harding Surveyor's Internal Database;
- Rightmove Plus, Lonres EIG;
- HM Land Registry;
- Local Authority Websites;
- Environment Agency;
- DEFRA; and
- UK Radon.

The above list is not exhaustive.

10.0 RESTRICTIONS ON PUBLICATION

The Report will be provided for the stated purpose(s) and for the sole use of the named Client only. It will be confidential to the Client and the Client's professional advisers

The Valuer accepts responsibility to the Client alone that the report will be prepared with the skill, care and diligence reasonably to be expected of a competent Valuer but accepts no responsibility whatsoever to any parties other than the Client.

Any such parties rely upon the Report at their own risk. Neither the whole nor any part of the Report nor any reference to it 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.

11.0 THIRD PARTY LIABILITY

Our valuation is provided for your benefit alone and solely for the purposes of the instruction to which it relates. Our valuation may not, without our written consent, be used or relied upon by any third party, even if that third party pays all or part of our fees, or is permitted to see a copy of our valuation report. If we do provide written consent to a third party relying on our valuation, any such third party is deemed to have accepted the terms of our engagement.

The basis of valuation may not be appropriate for other purposes and should not be so used without prior consultation with us.

Our contract with you for the provision of this valuation is subject to English law. Any dispute in relation to this contract, or any aspect of the valuation, shall be subject to the exclusive jurisdiction of the Courts of England and Wales, and shall be determined by the application of English law, regardless of who initiates proceedings in relation to the valuation.

12.0 RICS VALUATION STANDARDS

The Valuation has been undertaken in accordance with the RICS Valuation – Global Standards, which incorporate the IVS (International Valuation Standards).

13.0 VALUATION

13.1 Method of Valuation

In order to arrive at the valuation we have used the Term and Reversion method of valuation, which is the common method of valuing investment property. The Term is the value to an investor of receiving the ground rent income from the occupational leases for their unexpired term. In this case for Flat 1, the leaseholder pays to the freeholder a ground

rent of £50 for the first 25 years, second 25 years paying £75, third 25 years paying £100, fourth 25 years paying £125 and final 25 years paying £150. Flat 2 leaseholder pays a ground rent of £40 for the entirety of the lease.

It was therefore necessary to capitalise these ground rents at an appropriate yield to determine their value to an investor. To establish the appropriate yield it was necessary to look at comparable ground rent transactions. These yields ranged from 3% to 6%. Factors which impact the yield of ground rent investments include, the amount of the ground, the number of flats the rent is secured against, the rent review pattern and increase mechanism etc.

The Reversion is the value to an investor of obtaining vacant possession of the flats when their occupational leases expire. In the case of Flat 1, the lease expires in 94.08 years and Flat 2 in 86.08. In order to establish the reversionary value it is necessary to identify their current value using the comparable method. This method involves the direct comparison of recently sold comparable properties with the subject property. We gathered comparable evidence from recently sold properties and analysed it in a spreadsheet matrix. The comparables were then quantitatively and qualitatively adjusted to make allowance for difference in the various factors that may affect value. These factors include location, building specification, condition, legal situation, timing of the transaction, etc. The comparables were then ranked and weighted to arrive at the current values of each of the flats.

Once the current values of the flats were ascertained it was necessary to establish their present value to an investor this was achieved by deferring the current value. The deferment rate used was 6%, this was set by the Lands Tribunal Case in *Earl Cadogan V Sportelli* 2007.

With regards to the roof space, this potentially holds some development value, as it is fairly common for top flats to extend into the roof space with a loft conversion, as can be seen on other properties on and around Road. The usual approach to valuing such developments is to use the residual method.

The residual method involves establishing the gross development value, which is the uplift in value between the flat with and without the loft extension. In order to establish the value with and without the loft space the comparable method was again employed. Deductions are then made from the gross development value for elements such as the building costs and professional fees. This method allowed us to arrive at the value of the loft space. Please see our calculation in the market commentary section.

13.2 Market Commentary

The value of the loft only has a development value to the leaseholders of Flat 1

The possibility of a loft extension is supported by the planning applications that have been submitted to the London Borough of Brent to convert the loft in properties along ...Road.

Supporting Evidence: Proposed roof extension with erection of rear dormer, addition of 2 rooflights to the front roof slope and raised height of roof over outrigger of first floor flat | London, NW10 2UY. This is the subject property. Please note this is our interpretation of the plans and likely build costs, we have not had discussions with the leaseholder.

From the Design Access Statement:

BRIEF PROPOSAL DESCRIPTION: Proposal is for a loft conversion to the main roof slope and raising the height of the roof over outrigger upto the party wall. The form of the proposal originated from the need of making use of all the space available and to achieve higher standard accommodation internally and externally and to make sure to have pleasing outlook for the street scene.

The drawings submitted show a proposed second floor which will form two additional bedrooms and a separate bathroom. We have measured the space to about 41 sq. m using the plans available on the planning portal. Each proposed room to be the following, Bedroom = 19.5 sq m, Second Bedroom = 14.5 sq m and bathroom = 3 sq m. The total floor area including corridor, cupboard and stairs is approx 57 sq m. However we deduct 15% to account for partitions, low height areas and space for ducting etc, sqy 48 sq m usable floor area.

To calculate the value of the premium of the loft, I have considered the cost of converting the loft, less the value it will add. The property will become a 5 bedroom flat with living room, separate kitchen, two ensuites and two separate bathrooms.

From our understanding of prevailing build costs in the area, a median build cost value of £1,600/m² plus fees at 8% and contingency at 5% results in £1,815/m² to build a one-off vertical extension on residential property in London Borough of Brent.

Loft Extension – 57m² * £1,815 = £103,455 say £105,000

1st Floor flat with loft extension

Value with extension £575,000 (circa 136 (88 sq m + 48 sq m) x £4,227 sq m)

Less present value £450,000 (88 sq m x £5,113 sq m)

Less costs - £105,000

Difference in Value = £20,000

Taking into account marriage value at 50%, this then gives a residual value of the loft:
£20,000 @ 50% = Premium for Loft £10,000

13.3 Summary of Comparables

While compiling the valuation we had reference to the following properties which have recently sold in the area:

3 Beds:

London, NW2 sold on 28 February 2020 for £.... It was

a 3 bedroom flat of 67 sq. m situated less than 500m of the subject, first floor purpose built flat built in 1900. The property is in good condition throughout. This equates to £/m² =£6,529.

London, NW2 sold on 20 December 2019 for £..... It was a 3 bedroom flat of 88 sq. m situated less than 800m of the subject, first and second floor purpose built flat built in 1900. The property is in good condition throughout. This equates to £/m² =£5,363.

London, NW1 sold on 29 May 2020 for £.... It was a 3 bedroom flat of 70 sq. m situated less than 600m of the subject, ground floor purpose built flat built in 1900. The property is in good condition throughout. This equates to £/m² =£7,142.
Flat 2 conversion to 5 bed flat:

London, NW10 sold on 03 June 2020 for £.... It was a 5 bedroom terrace house of 140 sq. m situated less than 900m of the subject, built in 1900. The property is in good condition throughout. This equates to £/m² =£4,857.

Rationale:

The 3 bed sold comparables produce capital value ranges of between £437,500 and £499,950 and a £/m² range of between £5,363 and £7,142. The evidence for 5 bed property produces a capital value of £680,000 and £/m² of £4,857, however this is as a terraced house. We must discount appropriately to account for the subject being a flat.

Flat 1 is a self contained ground floor 3 bed flat measuring 80 sq m. We have adopted a £/m² towards the lower end of the range. A Market Value of £440,00 equates to a £/m² of £5,500 which is in the range of the comparable evidence as shown above.

Flat 2 is a self contained first floor 3 bed flat (arranged as 4 bedsits) measuring 88 sq m. We have adopted a £/m² towards the lower end of the range. A Market Value of £450,00 equates to a £/m² of £5,133 which is in the range of the comparable evidence as shown above.

There are few and far between on the market and sold comparables of 5 bedroom flats, we have therefore extended our search criteria to support evidence of the end value. The rationale behind converting the loft is to create income producing bedsits, and if the current arrangement is kept as it is, the property will become a 6 bed (no living room) HMO. The scope of the report does not include valuing the property as a HMO and analysing on a rental income basis, only on a capital value basis as to what is fair and reasonable for the leaseholder to pay to have the roof space demised to them.

Analysis of Values :

Properties around Road had an overall average price of £387,625 over the

last year. The majority of sales during the last year were flats, selling

for an average price of £286,833. Semi-detached properties sold for an average of £690,000. Overall, sold prices aroundRoad over the last year were 3% down on the previous year and 11% up on the 2016 peak of £350,511.

13.4 Amount of Valuation

In our opinion, the premium for the enfranchisement of the interests in Flat 1 under the terms of the Leasehold Reform Housing and Urban Development Act, 1993, as amended by the Commonhold and Leasehold Reform Act, 2002,

As at the 24 November 2020 is £13,030 (Thirteen Thousand and Thirty Pounds). Flat 2 share is £5,545 and Flat 2 share is £7,485.

In our opinion, the Market Value in purchasing the freehold interest of the Loft Space at Flat 1 as of 24 November 2020 is £10,000 (Ten Thousand Pounds).

A total premium for the Freehold and Loft Space is £23,030 (Twenty Three Thousand and Thirty Pounds Pounds). Flat 1 total share is £5,545 and Flat 2 total share is £17,485.

14.0 MARKET UNCERTAINTY

Our valuations are opinions of value given all the facts, circumstances and market conditions known at the date of this report. Changes in market sentiment can occur without warning brought about by any number of external factors affecting confidence about stability or affordability, or fears about more prolonged market falls or even recession.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation under frequent review.

15.0 LIMITATIONS ON LIABILITY

The Royal Institution of Chartered Surveyors recommends the use of liability caps to members as a way in which to manage the risk in valuation work. Our aggregate liability arising out of, or in connection with this valuation, whether arising from negligence, breach of contract, or any other cause whatsoever, shall in no event exceed £100,000. This clause shall not exclude or limit our liability for actual fraud, and shall not limit our liability for death or personal injury caused by our negligence.

This report has been prepared by a surveyor ('the Employee') on behalf of a firm or company of surveyors ('the Employer'). The statements and opinions expressed in this report are expressed on behalf of the Employer, who accepts full responsibility for these. Without prejudice and separately to the above, the Employee will have no personal liability in respect of any statements and opinions contained in this report, which shall at all times remain the sole responsibility of the Employer to the exclusion of the Employee.

Signed:
..... MRICS
for & on behalf of Harding Chartered Surveyors

Dated: 1st January