

Valuation Report

In respect of:

23 St Margarets Way
Hemel Hempstead
Hertfordshire
HP2 4PA

Prepared for:

Dacorum Borough Council

Date of valuation:

8th October 2020

Date of report:

12th October 2020



**23 ST MARGARETS WAY
HEMEL HEMPSTEAD
HERTFORDSHIRE
HP2 4PA**

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Executive Summary

Property	23 St Margarets Way, Hemel Hempstead, Hertfordshire HP2 4PA.
Client	Dacorum Borough Council.
Other Intended Users	None.
Date of Valuation	8 th October 2020.
Purpose of Valuation	Potential acquisition purposes.
Tenure	Leasehold, for a term of 125 years from 10 th June 1989.
Tenancies	Vacant possession.
Location	A mixed private and Local Authority housing area within the Leverstock Green District to the east of Hemel Hempstead, close to the M1 junction.
Description	A first floor studio flat situated above a block of garages.
Basis of Valuation	MV1: Market Value – Vacant Possession Market Rent
Valuations	
Market Value (MV1) Market Rent (MR)	£137,500 £7,800 per annum
Valuation Issues and Action Points	<ul style="list-style-type: none"> ▪ Our opinion of Market Value (MV1) acknowledges the Council's position as a 'special purchaser' reflecting their position as the freehold owner of the remainder of the block. ▪ The Council have made an unsolicited approach to the long leaseholder resulting in the agreement to purchase the flat in the sum of £137,500. ▪ The flat has, consequently, not been subject to exposure to the open market.

Our ref: SO/ldi/HH001170

Private & Confidential

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For the attention of: Reuel Thompson

Dear Sirs

Client: Dacorum Borough Council
Property: 23 St Margarets Way, Hemel Hempstead, Hertfordshire HP2 4PA

1. INSTRUCTIONS

- 1.1 In accordance with your recent instructions, we confirm that the above property was inspected on 14th August 2020 following which we are pleased to provide our valuation report as follows.
- 1.2 This valuation has been carried out by Stephen Oakey BSc (Hons) MRICS, an RICS Registered Valuer (RICS Membership No: 0101237), who has the necessary knowledge, skills and understanding in respect of this valuation assignment.
- 1.3 Prior to undertaking this instruction Brasier Freeth LLP and the valuer have confirmed that they have had no other connection with either the property or the current leaseholder within the previous 24 months and know of no conflict of interest in respect of carrying out this valuation assignment.
- 1.4 Brasier Freeth LLP carry professional indemnity insurance to the value of £3m which is sufficient for this assignment.
- 1.5 Brasier Freeth LLP will be acting in the capacity of External Valuer in relation to this assignment.
- 1.6 **Basis of Valuation**
In accordance with your instructions we have provided our opinion of the Market Value (MV1) of the long leasehold interest in the above residential property with vacant possession, this being required for potential acquisition purposes.
- 1.7 The date of valuation is 8th October 2020.
- 1.8 We confirm that we have acted independently, with integrity and objectivity and that the report has been prepared in accordance with the RICS Valuation – Global Standards and the UK National Supplement.

London. Hemel Hempstead. Watford. Welwyn Garden City.

1.9 This valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

1.10 Extent of Investigations

The property was inspected both internally and externally. The premises were vacant at the time of our inspection.

We have not undertaken a Building Survey and we have not inspected parts which were covered, unexposed or inaccessible. Such parts are assumed to be in good condition.

We have not undertaken soil surveys or other intrusive ground investigations and the site is assumed to be suitable for its present or proposed use.

1.11 Reliance on Information Provided

We have been provided with various Title information relating to the property by the Council. We have also undertaken searches of a number of property data publishing companies and third party agents upon which we have relied. We can take no responsibility for any omissions or misrepresentations made to us.

1.12 A copy of your email confirming instructions is attached at Appendix A.

2. LOCATION

St Margarets Way forms part of a mixed private and Local Authority housing area within the Leverstock Green District to the east of Hemel Hempstead, close to the M1 motorway junction. The immediate area is characterised by two storey terraced housing dating from the post war period.

The area is generally well served by local amenities including public open spaces and Leverstock Green Primary School is in close proximity. There are local shopping facilities on nearby Leverstock Green Way.

St Albans Road (A414) lies adjacent to the north. This is the main thoroughfare into the centre of Hemel Hempstead from the M1 junction. The town centre lies approximately 1.5 miles to the west.

The Tesco Superstore and Jarman Park Retail/Leisure Complex are also within easy reach.

A location plan is attached at Appendix B.

A Land Registry Title Plan, detailing the position of the subject flat on the first floor of the block, is attached at Appendix C.

3. DESCRIPTION & CONSTRUCTION

The property comprises a studio flat which forms part of a block of four similar flats, situated above a block of lock-up garages. The remainder of the block is understood to be retained in the Council's freehold ownership.

The flat is externally accessed from an open staircase to the flank of the building, leading to a shared walkway at first floor level.

The block is of brick construction beneath a flat, felt covered roof. The first floor structure is solid and windows are UPVC double glazed units throughout.

To our knowledge, there is no external space, garden or off-street parking allocated to the property and no right to utilise the ground floor garage premises.

Photographs are attached at Appendix D.

4. ACCOMMODATION

4.1 Layout

Studio Flat: Open plan bedroom/living room, galley kitchen and bathroom/WC.

4.2 Measurements

The gross internal area of the flat, measured in accordance with RICS Property Measurement, 2nd Edition – January 2018, is approximately 25.25 sq.m / 272 sq.ft.

Measurements were undertaken on-site by the valuer.

5. CONDITION

We have not carried out a building survey (structural survey) on any part of the property and this report should not be interpreted as such.

Within the limits of our inspection, the main structure of the block appears generally sound with no obvious major defects apparent which would impact upon our valuation.

Some general repairs are nevertheless required, including attention to external timberwork and other patch repairs.

Internally, the flat remains in generally good decorative order throughout.

It is not our intention to elaborate in relation to the existing condition of the building as it is understood that the flat will be acquired for the benefit of its short term development potential.

6. SERVICES

Mains gas, electricity, water and drainage are all understood to be connected to the property although we would reiterate that existing services and installations have not been tested and this report does not therefore express an opinion as to their adequacy or condition.

Gas central heating is provided throughout the flat and electrical wiring is of a fair standard where seen.

Kitchen and bathroom fixtures and fittings are also of a fair, if slightly dated, standard.

For valuation purposes, all existing service installations are assumed to be in good working order unless otherwise stated.

7. STATUTORY ENQUIRIES

7.1 Council Tax

The flat is assessed for Council Tax as:-

Address	Banding	Sum Payable 2020/2021
23 St Margarets Way, Hemel Hempstead	A	£1,212.37

7.2 Planning

We have made enquiries to the Planning Department of Dacorum Borough Council although we are not aware of any applications made or consents granted in relation to the subject property within the last 5 years which would impact upon our valuation.

The subject property is not Listed and is not situated within a Conservation Area.

7.3 Highways

St Margarets Way is an adopted highway, maintained by the Local Authority.

8. ENVIRONMENTAL

8.1 Land Contamination

The present use of the building is not considered to constitute any particular environmental risk and we are not aware of any potentially hazardous land uses in close proximity to the site of a nature likely to give rise to ground contamination.

Our valuation therefore assumes that the site is free from any significant issues in relation to ground contamination or other adverse ground conditions.

8.2 Radon Gas

By reference to the Health Protection Agency website, on entering the postcode of the subject property no adverse results were reported. We would, however, confirm that in accordance with RICS Valuation Standard Procedures no subterranean tests have been implemented as part of this valuation exercise.

8.3 General

We would emphasise that we are not qualified to comment on environmental issues and this can only be done by way of an environmental audit. If an environmental audit were to be carried out and the land was subsequently found to be contaminated, this could adversely affect the valuations now reported.

9. SUSTAINABILITY

9.1 Flood Risk

We have searched flood map data held on the Environment Agency website which indicates that the subject property is situated in an area deemed to be at very low risk of flooding from rivers and/or sea and low risk of surface water flooding.

9.2 The Energy Act 2011

Legislative changes under the Energy Act 2011 will make it unlawful to rent out and re-let premises with an EPC rating below a minimum level of E from 2018. This applies to any property let on a tenancy which is six months or more and less than 99 years in length, and which is legally required to have an EPC. This legislation was extended to cover existing lettings of residential properties from 1st April 2020, with existing lettings of commercial buildings to follow in 2023.

We have searched the Landmark database from which we are aware of a current EPC assessment for the subject flat, dated August 2015. The flat is assessed within Band D (56) indicating that it will meet the minimum requirements laid down by the Legislation and that there will be no adverse impact on value or marketability.

9.3 Asbestos

We have not seen an asbestos inspection report in respect of any part of the subject property. Under the control of Asbestos Regulations 2012 an inspection should have been undertaken on all commercial buildings from 1st May 2004. Following the discovery of asbestos there is a requirement for an Asbestos Management Plan to be drawn up and implemented.

The property's age and form of construction suggests that asbestos containing materials may be present although this cannot be confirmed within the limits of our inspection.

Confirmation should therefore be sought that an asbestos inspection report has been obtained and an appropriate management plan put in place.

Unless otherwise stated, our valuation assumes the property to be free from asbestos containing materials to the extent that they would have an impact upon the property's value or marketability.

9.4 Japanese Knotweed

We confirm that no Japanese Knotweed or other invasive species was observed during the course of our inspection and our valuation assumes that there are no such problems present of a nature sufficient to impact upon the value or marketability of the property.

10. TENURE

We understand that the property is held leasehold, for a term of 125 years commencing 30th June 1989. There is a £10 per annum ground rent payable which we have assumed is fixed for the duration of the term.

Our valuation assumes that good Title is held, free from any onerous conditions or restrictive covenants of a nature sufficient to impact upon the use, value or marketability of the property.

11. OCCUPATIONAL LEASES AND TENANCY AGREEMENTS

We have been advised by the leaseholders appointed letting agent that the premises are currently let under an Assured Shorthold Tenancy agreement at a rental of £650 pcm (£7,800 pa).

We have not had sight of the tenancy agreement.

We understand that the leaseholder will serve notice of termination of the AST agreement on the tenant prior to completion of the sale.

For valuation purposes therefore, full vacant possession is assumed.

12. VALUATION COMMENTARY

12.1 Economic Overview

The Government's revised Brexit deal was passed through Parliament following the December General Election, which gave the Conservative Party a working majority. The UK thus left the EU on 31st January 2020, beginning a transition period which is set to end on 31st December 2020, during which time the UK and the EU will negotiate the terms of their future relationship.

Despite the continued general economic uncertainty, as a result of this perceived new political stability, an increase in property market activity was apparent in the early weeks of the year which gave rise to the term 'the Boris bounce'.

This activity has, however, proved to be short-lived following the global outbreak of the Novel Coronavirus (Covid-19) which was declared as a 'Global Pandemic' by the World Health Organisation (WHO) on 11th March 2020.

Following the WHO announcement, Sterling fell to its lowest rate against the Dollar since the mid-1980's amid fears as to how the UK Government was to fund new fiscal and monetary policy measures intended to stabilise the economy. The FTSE 100 also dropped by circa 30% from January 2020 owing to investor worries about UK and global trading prospects, although has since made modest recoveries.

The Government's response was swift although some commentators are arguing that the initial measures did not go far enough. New initiatives have been announced to support UK businesses including additional benefits for those unable to work or self-isolating, business rates suspensions and mortgage interest holidays.

As an emergency measure, the Bank of England also reduced the base rate of interest from 0.75% to 0.1%, taking borrowing costs down to the lowest level in history, in an attempt to stimulate the economy. The Bank said it would also free up billions of pounds of extra lending power to help banks support UK firms.

The UK economy is now in recession, having suffered its biggest slump on record in the three months to June 2020 as a result of the Covid-19 'lockdown'. The economy shrank by an unprecedented 20.4% compared with the first three months of the year. Consumer spending plunged and manufacturing and construction output fell substantially.

Whilst there are now signs of a modest recovery beginning to emerge as lockdown restrictions are eased, the outbreak looks set to have a deep and potentially long lasting impact on many UK businesses. Manufacturing and housebuilding are showing positive signs of recovery.

Analysts have warned, however, that underlying momentum remains weak with business investment already subdued due to the ongoing economic and political uncertainty, largely relating to the outcome of Brexit negotiations.

Whilst pent up demand may lead to further short term growth, many fear that this will dissipate as the full effects of the pandemic are felt later in the year, particularly when the current government support begins to be withdrawn. There are now widespread fears that the path to full economic recovery will be far longer than originally anticipated.

ONS statistics for the three months to June 2020 show that UK employment fell by 220,000, the largest quarterly decline since 2009 in the depth of the financial crisis. The unemployment rate remained fairly steady throughout the same period at 3.9%. However, this figure may be misleading with approximately 7.5 million employees remaining on the Government-backed furlough scheme. Economists have warned that this figure may increase significantly when the furlough scheme comes to an end in October.

The global economic outlook, therefore, remains uncertain and there remain significant risks to the UK economy with the potential to have substantial knock-on effects within the UK property markets as the full extent of the pandemic and the resultant economic lockdown become more apparent later in the year.

12.2 Local Market Conditions & Marketability

Land Registry data indicates that the average price of a flat in Hemel Hempstead over the last year was marginally below £230,000. This figure represents approximately 1% growth on the previous year although the average figure is approximately 5% lower than the 2017 peak. There is very little data available for studio flats which are in short supply in the area.

It should be noted that this valuation is based on market evidence which, in part, predates the Covid-19 outbreak, the emergence of which has been so rapid that property markets have not yet had time to fully adjust.

With markets at a virtual standstill throughout April, May and early June there is, as yet, only very limited market evidence (due to the lack of transactions), to indicate the extent to which property prices has been, or will be, affected by these unprecedented conditions.

Notwithstanding the above, local Estate Agents are currently reporting increased levels of demand from purchasers as the Governments lock down measures are eased. Pricing within the local market generally does not appear to be substantially different from pre-Covid-19 levels.

The Government's announcement of a Stamp Duty holiday (0% payable up to £500,000) in July 2020 has also assisted in stimulating demand.

There are concerns, however, with regard to future performance with an economic recession and substantially higher unemployment levels anticipated before the end of 2020.

We would therefore recommend that the situation continues to be closely monitored and that an updated valuation is commissioned as and when the current restrictions are fully lifted and a new stable transactional market begins to emerge.

12.3 Valuation Methodology

In arriving at the opinion of market value for the property stated below we have adopted a Market (comparable) approach.

In this respect we have had regard to a number of other similar properties either recently sold or available for sale within the local market.

Studio flats are in short supply in the area generally. The majority of similar studio flats above garages similar to the subject flat remain in the Council's ownership.

By way of example, studio flats within a new office to residential conversion in Hemel Hempstead town centre are currently marketing at prices in the order of £150,000 - £170,000. The flats are larger than the subject, typically between 30 sq.m and 33 sq.m, and are fitted out internally to a high specification.

As such, we would expect flats within this building to command substantially higher prices than the subject flat.

A similar flat above garages in Parkwood Drive, Hemel Hempstead is currently on the market with an asking price of £150,000. The flat is in similar condition to the subject although it is slightly larger at approximately 30.3 sq.m (326 sq.ft). The flat is let at £695 pcm (£8,340 pa).

The selling agent advises that the flat has generated some market interest although no offers have been received. It is likely that the price would need to be reduced to around £135,000 - £140,000 in order to achieve a sale in the prevailing market conditions.

A studio flat above retail in High Street, Old Town, Hemel Hempstead has recently sold for the sum of £125,000. The original asking price was £129,950. The flat is well appointed although smaller than the subject flat with an area of approximately 23.1 sq.m (248 sq.ft).

We are also aware of a number of studio flats of similar size and style to the subject, located in a block above shops fronting onto Marlowes in Hemel Hempstead town centre. Similar sized studio flats have achieved sales prices in the region of £115,000 - £125,000 over the last year or two. The block is known to be poorly maintained with unattractive common parts which deters some potential purchasers.

12.4 Valuation Issues and Action Points

Our opinion of Market Value (MV1) acknowledges the Council's position as a 'special purchaser' reflecting their position as the freehold owner of the remainder of the block.

The Council have made an unsolicited approach to the long leaseholder, resulting in the agreement to purchase the flat in the sum of £137,500.

The flat has, consequently, not been subject to exposure to the open market.

13. VALUATIONS

13.1 Market Rent (MR)

We assess the **Market Rent** of the long leasehold interest in **23 St Margarets Way, Hemel Hempstead, Hertfordshire HP2 4PA**, at the date of valuation and assuming a letting in the open market on a standard Assured Shorthold Tenancy basis, to be:-

£7,800 per annum
(Seven Thousand Eight Hundred Pounds)

13.2 Definition of Market Rent (MR)

“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

13.3 Market Value (MV1)

We assess the **Market Value** of the long leasehold interest in **23 St Margarets Way, Hemel Hempstead, Hertfordshire HP2 4PA**, at the date of valuation and with vacant possession, as detailed herein, for potential acquisition purposes, to be:-

£137,500

(One Hundred and Thirty Seven Thousand Five Hundred Pounds)

13.4 Definition of Market Value (MV)

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

13.5 Recent Transactions / Purchase Price

We are aware that the flat was previously sold in March 2016 for the sum of £125,000.

Land Registry house price data for the Dacorum Borough indicates that the average price of a flat has increased by approximately 4.5% in the intervening period.

Alternative indices for the outer Metropolitan area produced by Nationwide Building Society indicate that average house price growth has been closer to 9.5% throughout the same period.

In this instance, the Council have made an unsolicited approach to the leaseholder in order to acquire the subject flat. Following completion of purchase, the Council will be in the freehold ownership of the entire block which provides significant gains in terms of future development potential.

Accordingly, we are of the opinion that the agreed purchase price of £137,500 includes a small ‘special purchaser’ premium (in the order of £5,000 - £10,000 only) to reflect this potential.

We are of the opinion that the agree purchase price is entirely reasonable having regard to the development potential released whilst also having regard to the available comparable evidence arising from the sale of other similar studio flats in the area.

It should also be noted that the current rent receivable from the flat of £650 pcm represents a yield in excess of 5.5% which we consider to be a very favourable return by comparison with other rental investment opportunities in the market at the present time.

On this basis, we do not hesitate in recommending the purchase of the flat to the Council in the sum of £137,500.

14. ASSUMPTIONS AND LIMITATIONS

In arriving at the opinions of value expressed herein we have relied upon documents of title and other details pertaining to tenure, tenancies, planning and other matters provided by the Client, related parties and other third party agencies.

Whilst all reasonable efforts have been made to substantiate such information, we cannot take any responsibility for any omissions or misrepresentations made to us. The accuracy of this information should be verified by your legal advisors.

Our valuation is provided on the basis that there are no misrepresentations or undisclosed matters that would have a significant impact upon our assessment.

Due to the limits of our inspection we are unable to express an opinion about or advise upon the condition of uninspected parts of the property and this report should not be taken as making any implied representation or statement about such parts.

We have not arranged for any investigation to be carried out to determine whether any deleterious or hazardous materials have been used in the construction of the property, or subsequently incorporated with the structure, and we are therefore unable to confirm that the property is free from risk in this respect. In undertaking our valuation, we have assumed that such investigations would not disclose the presence of such materials of a significant nature.

In undertaking our valuation we have not carried out any investigations with regard to past uses of the subject property or neighbouring property and the potential to give rise to ground contamination.

We have not undertaken any soil surveys or other environmental investigations in relation to the subject property and our valuation assumes that if such investigations were to be carried out they would not disclose the presence of ground contamination of a nature sufficient to impact upon the use, value or marketability of the property.

This report is for the sole use of the client for the purpose set out above and no responsibility is accepted to any third party for the whole or any part.

Neither the whole nor any part of this report may be included in any statement, circular or published document without the prior written consent of Brasier Freeth LLP of the form and context in which it may appear.

15. REPORT SIGN-OFF

We trust the above is sufficient for your purposes. However, should there be any matters arising from our report or should any further comment or clarification be required we will be pleased to hear from you further.

Yours faithfully:



Signed:

Stephen Oakey BSc (Hons) MRICS
For and on Behalf of BRASIER FREETH LLP
Date: 12th October 2020

Counter Signatory:



Signed:

Joel Young MA MRICS
For and on Behalf of BRASIER FREETH LLP

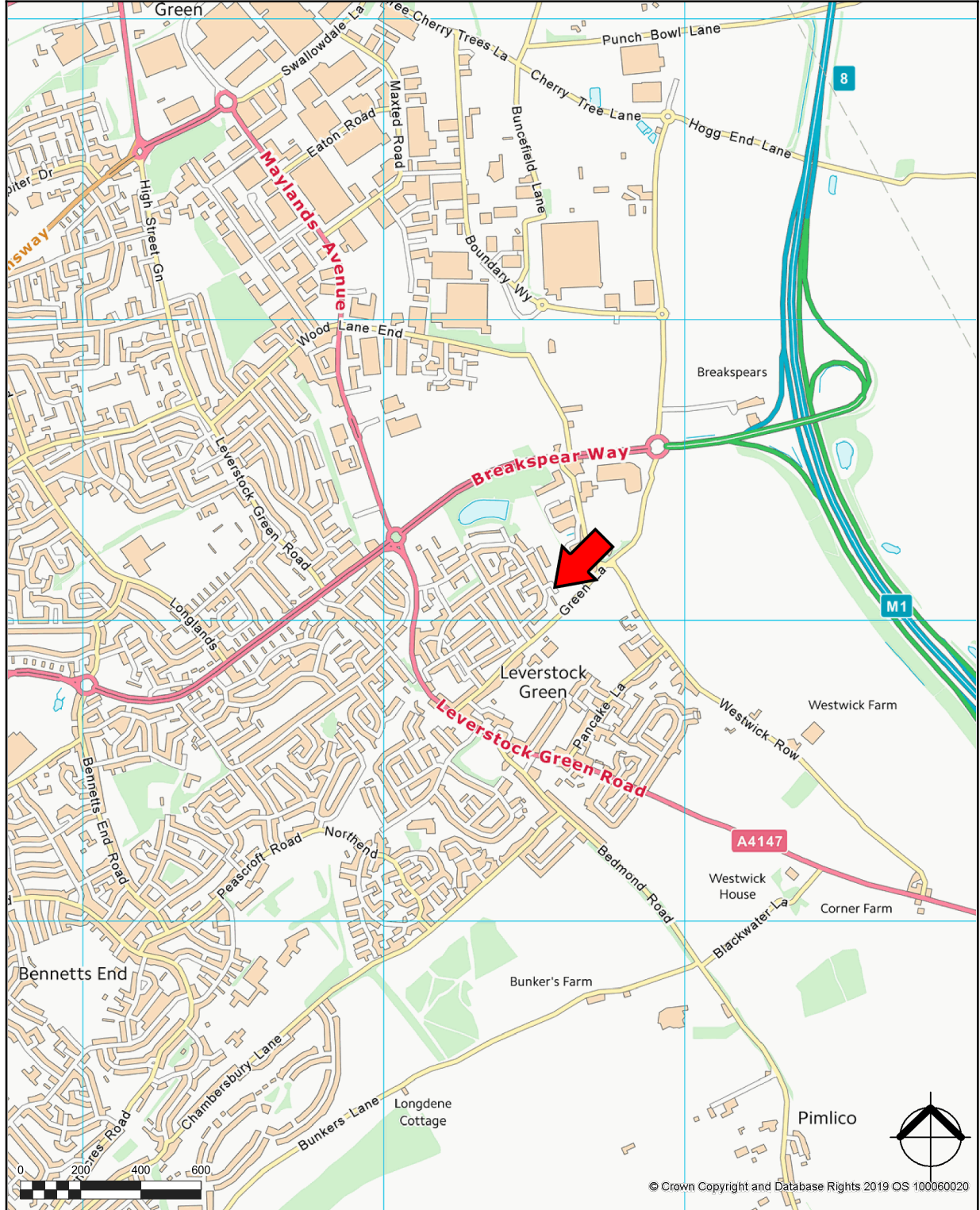
Appendix A

Instruction Email

Appendix B

Location Plan

23 St. Margarets Way
Hemel Hempstead, HP2 4PA



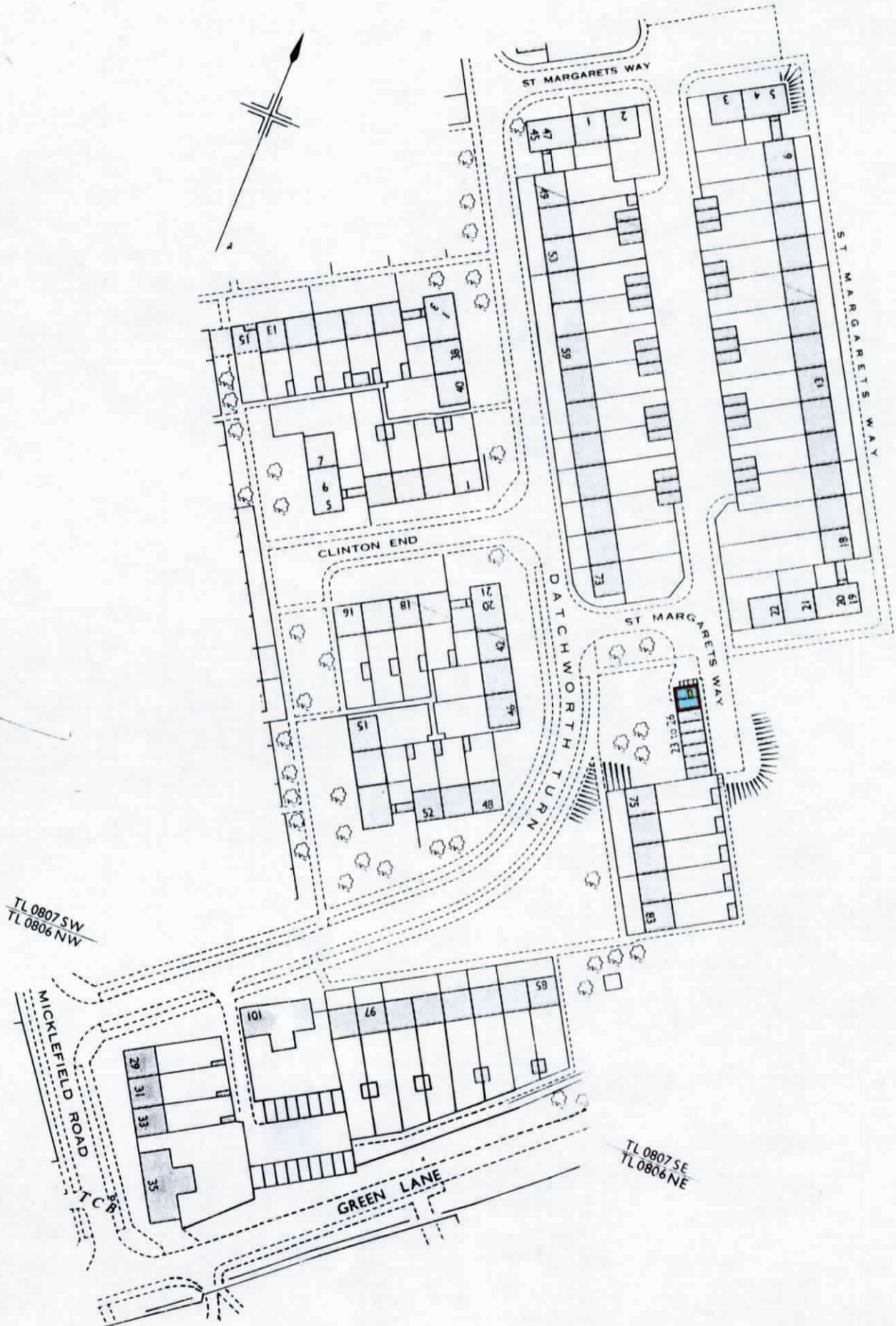
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Plotted Scale - 1:20,000

Appendix C

Land Registry Title Plan

H.M. LAND REGISTRY		TITLE NUMBER	
		HD268185	
ORDNANCE SURVEY PLAN REFERENCE	TL 0807	SECTION D	Scale 1:1250
COUNTY HERTFORDSHIRE	DISTRICT DACORUM	© Crown copyright 1978	



Appendix D Photographs

23 St Margarets Way
Hemel Hempstead, Hertfordshire, HP2 4PA



St Margarets Way



St Margarets Way

23 St Margarets Way
Hemel Hempstead, Hertfordshire, HP2 4PA



Flat 23 on the First Floor



Flat 23 on the First Floor



Studio Room



Studio Room

23 St Margarets Way
Hemel Hempstead, Hertfordshire, HP2 4PA



Kitchen



Bathroom



London. Hemel Hempstead. Watford. Welwyn Garden City.

