



Property and Commercial Services

Valuation Report

**Affordable Housing
at
The Hedgerows
Bolsover**

1. Instructions and Purpose of Valuation Report.

Instructions were received from Andy Clarke in the Council's Housing Department 9 May 2022 requesting a valuation of 6 houses that the Council is considering purchasing from Keepmoat Homes as part of their affordable housing obligations under the Section 106 agreement under the Town and Country Planning Act 1990.

A valuation of the freehold interest in the properties is to be provided to enable the Council to potentially make an offer for the properties. In addition comments are required on Keepmoat's valuation of the properties and market value of the properties.

A further valuation is required for the affordable rental value of the properties for viability purposes.

2. Date of Valuation

The date of valuation is the date of this report.

3. Background and Description

The properties form part of Keepmoat Homes Hedgerows development on the Eastern Edge of Bolsover.

Under a section 106 agreement agreed as part of the planning permission Keepmoat Homes are to provide a total of 19 affordable dwellings or make a payment equal to 50% of the market value of each property in lieu if no registered provider is willing acquire the properties.

The Council has already acquired 13 of the properties and the remaining 6 have been offered to the Council by Keepmoat.

From plans provided by Keepmoat all of the properties will be three bedroom semi-detached houses of two different designs. Four of the properties have a floor area of approximately 78 square metres with the other two properties having a floor area of approximately 71 square metres.

The accommodation for each property is proposed to be as follows:-

Ground floor – Hall, Kitchen/Diner, WC and a Living Room.

First Floor – Two double bedrooms, a single bedroom and a bathroom.

Externally there are front and rear gardens and off road parking.

The properties are plot numbers 86,87,91,92,107 and 108 and are spread out over the development.

Vacant possession of the properties is assumed.

The larger properties have being offered to the Council at a figure of £130,000 per property for the larger properties and the smaller properties at £125,000 per property.

4. Inspection

The dwellings have yet to be completed and therefore no inspection has taken place.

5. Basis of Valuation

The valuation is to be provided on the basis of Market Value.

Market Value is defined in the Royal Institution of Chartered Surveyors Valuation - Global Standards effective from January 2022 (the Red Book) VPS 4 para 4 and by the International Valuation Standards (IVS) 104 paragraph 29 as:

'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.'

The rental valuation is to be provided on the basis of Affordable Rent which is derived from Market Rent.

Market Rent is defined in the Royal Institution of Chartered Surveyors Valuation - Global Standards 2022 (the Red Book) VPS 4 para 5 and by the International Valuation Standards (IVS) 104 paragraph 40.1 as:

'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 acted knowledgeably prudently and without compulsion'.

The valuation methodology used to calculate the valuation figure is the market approach. This involves transactions of similar properties being analysed and appropriate adjustments made to reflect material differences where these produce a material impact on value.

Under the guidance issued by the Homes and Communities Agency homes let on Affordable Rent terms can be let at a rental level of up to 80% of gross market rents (inclusive of services charges where applicable).

On each occasion an Affordable Rent tenancy is issued for a property – whether it is let to a new tenant or an existing tenancy is re-issued, landlords are required to reset the rent based on a new valuation, to ensure that it remains at no more than 80% of the relevant market rent. This overrides the normal maximum rent increase of CPI +1.0% as laid out in the guidance. Where the property is re-let to the same tenant as a consequence of a probationary tenancy coming to an end, the landlord is not required to re-set the rent.

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6. Services

It is assumed for the purposes of this report that all necessary mains services are available in the vicinity to serve the proposed development and that there are no abnormal costs associated in connecting to them.

7. Council Tax

As the properties have yet to be completed this is not applicable to this report.

8. Title

The title has not been inspected and it is assumed for the purpose of this valuation that there are no unusual or onerous restrictions, covenants or easements that would affect the valuation.

Plot 86 is accessed of a shared private driveway and the future maintenance liability should be clarified with the developer.

9. Planning

Planning permission was granted by the Council for a development of 212 dwellings with 19 of the dwellings to be affordable.

It is assumed that the dwellings will be constructed in accordance with the planning permission that has been granted and in accordance with building regulations prevailing at the time of construction.

10. Condition

As the properties have yet to be completed this is not applicable to this report.

11. Minerals

A Mineral Surveyor's Stability Report has not been requested and it is assumed for the purpose of this report that if such a report was commissioned that there would be no adverse comments.

12. Environmental

An environmental audit has not been carried out and it is assumed for the purpose of this report that if such a report was commissioned that there would be no adverse comments.

The Flood Risk map indicates that the properties are to be built on land that is at a very low risk of flooding from surface water.

13. Equality Act 2010

This is not considered applicable to this valuation report.

14. Status of the Valuer

The valuation has been carried out by Roger Owen FRICS, Chartered Surveyor & RICS Registered Valuer who is acting as an employed valuer.

The valuation is the responsibility of the valuer, who will provide an objective and unbiased valuation.

The valuer has no direct interest in the property nor beneficial or fee interest in providing the valuation.

The valuer has sufficient current, local knowledge of the market to which the property relates; and the skills and understanding to undertake the valuation competently.

15. Methodology and Market Commentary

The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation –

Global Standards 2022 and the UK national supplement, taking into account the available comparable evidence in current market conditions.

Compliance with the Red Book also ensures compliance with the International Valuation Standards (IVS).

In determining my opinion I have had regard for the market approach method of valuation which requires the identification of comparable market evidence. Research has been carried out to identify such comparable evidence and market commentaries have been analysed in determining the applicable value of the property.

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or special assumptions (as contained the Red Book in Valuation Practice Statement 4 paragraph 2, Assumptions, and VPS 4 paragraph 3, Special assumptions). A valuation is not a fact, it is an opinion. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty – that is, the probability that the valuer's opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date.

The valuation is a question of opinion and different Valuers can legitimately arrive at a different opinion of value. Historically it has generally been considered that Valuers should arrive at a tolerance of accuracy of up to 15%. Academic research has questioned this statistic and suggested a wider bracket is appropriate. This is particularly true where the market is uncertain and volatile.

The price achieved can vary substantially dependent upon the level or lack of competition at any one time.

In arriving at my opinion of value no allowance has been made for liability for taxation which may arise on disposal. Neither does the valuation reflect the costs of acquisition or realisation.

Sources of information used in preparing this valuation are the Rightmove and Energy Performance Certificate websites. The accuracy of this information has not been verified and is assumed to be correct.

Market Evidence

The following houses on the development are currently being marketed by Keepmoat:-

Plot 124 – Four bedroom detached with a floor area of 95 sq metres.
£265,000.

Plot 113 – Three bedroom detached with a floor area of 81 sq metres.
£250,000.

Plot 82 – Three bedroom semi-detached with a floor area of 77 sq metres. Ensuite bathroom. £220,000.

Plot 83 – Three bedroom semi-detached with a floor area of 77 sq metres. Ensuite bathroom. £220,000.

Keepmoat is also offering for sale on its development at Hodding Farm at Hodthorpe the same design as the larger properties that are being offered to the Council at £215,000 to £218,000 depending on the plot.

The following properties are currently for sale on the estate:-

28 Lawson Road – Three bedroom semi-detached house with a floor area of 95 Sq metres. On the market at £240,000.

11 Foxglove Close – Four bedroom detached house with a floor area of 113 sq metres. On the market at £282,000.

1 Lawson Close – Three bedroom semi-detached house with a floor area of 78 sq metres. On the market at £229,950. Same design as the larger properties being valued.

46 Lawson Road – Three bedroom semi-detached house with a floor area of 71 sq metres. On the market at £189,950.

The following property has been sold on the estate:-

27 Foxglove Close – Sold September 2021 for £220,000. Floor area 71 sq metres.

Rental Evidence

Hodding Road Hodthorpe – New build three bedroom semi-detached house. Integrated appliances. Rent £750 pcm. Same design as the larger properties being valued.

Foxglove Close – Three bedroom mid-terrace house. Let for £700 pcm in 2021. Better specification than subject properties. Floor area 70 square metres.

Buckthorn – New build three bedroom detached house on the Hedgerows development with a floor area of 80 sq metres. Better specification than the subject properties. Rent £950 pcm.

It is expected that the properties sold and rented on the open market will be of a better internal specification than affordable properties.

The Council has previously purchased affordable housing from developers at a range between 52% and 67% of their market value which is considered to be within the accepted range for acquisitions by RSL's from developers for affordable housing. In the case of previous acquisitions from Keepmoat this has been towards the top end of this range.

Based on the market evidence available it is considered that the larger properties have a market value of £215,000 and the smaller properties have a market value of £200,000.

The valuation of the properties by Keepmoat at £130,000 and £125,000 gives values of approximately 60% and 62% of market value for each property type.

This whilst towards the upper end of the accepted range it is well within what is considered the normal range and is lower than previous acquisitions from Keepmoat.

Therefore the asking prices from Keepmoat for the properties are considered to be not unreasonable.

Based on the market rental evidence available it is considered that properties have market rental values of £715 pcm for the larger properties and £665 pcm for the smaller properties.

16. Valuation

Based on the forgoing I am of the opinion that the properties have the following values:-

Market Value for acquisition as affordable housing: - **£130,000 and £125,000** for each property type. This gives a total valuation for the six properties of **£770,000**.

Affordable Rental Value - **£572 pcm (£6,864 per annum)** for the larger properties and **£532 pcm (£6,384 per annum)** for the smaller properties.

17. Third Party Reference

This report is provided for the stated purpose and for the sole use of Bolsover District Council. It is confidential to the Council and their professional advisors and no responsibility is accepted whatsoever to any other person.

18. Consent to Publication

Neither the whole nor any part of this Valuation Report or any reference hereto, may be included in any published document, circular or statement, or

published in any way, without my written approval to the form or context in which it may appear.

This report is considered exempt information within the terms of Paras 7 to 13 of Schedule 12A to the Local Government Act 1972 (See Sec 1 and Part 1 of Schedule 1 to the Local Government Access to Information Act 1985 and the Council is recommended to treat it accordingly.

19. Validity

This report should not be considered valid for a period in excess of 6 months from the date of valuation, nor if the circumstances are altered.

I trust that this report is sufficient for your purposes but if you require any further advice or assistance in this matter please do not hesitate to contact me.

A handwritten signature in blue ink, appearing to read 'R Owen', is positioned above the typed name and title.

Roger Owen FRICS
Senior Valuer and RICS Registered Valuer

11 May 2022