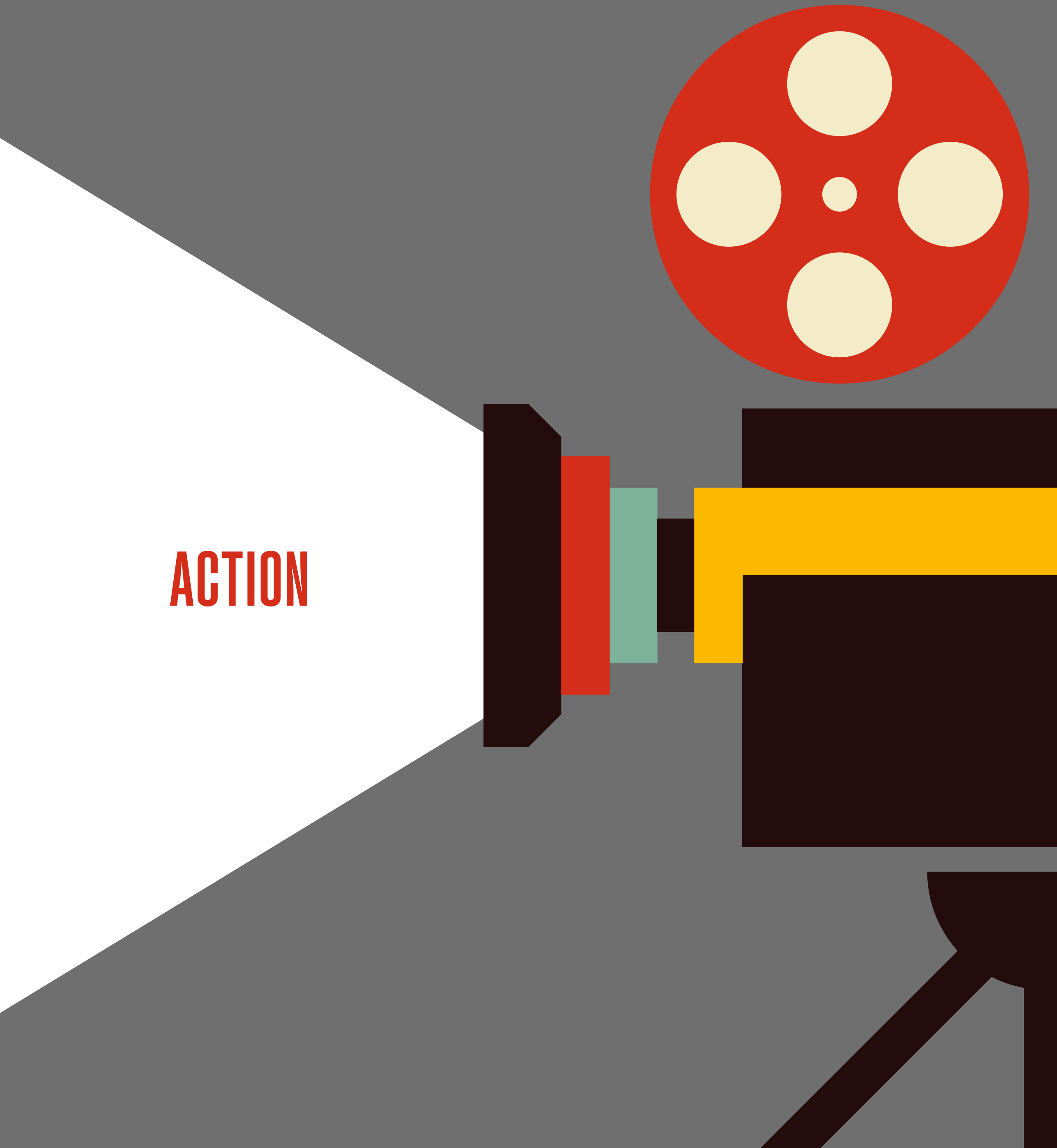
all

NEWS AND VIEWS FROM **ALLSOP**

AUTUMN 2020



Hello

Nearly 6 months on from the last edition of ALL, COVID-19 still impacts our every turn in life whether in work or play.

In the early days back in the spring, when I myself, succumbed to the dreaded Coronavirus, it was the unknown which impacted our lives whether from a business perspective or from a physical and mental view point. We all now accept that the pandemic is here and will be with us for a while yet and we have to get on as best we can. The strength of adaptability has been phenomenal as highlighted in the last issue with the way our auctions teams have adjusted, together with our clients and indeed purchasers, to an 'on-line' auction system which has been an overwhelming success. It's so easy to fall into negativity when COVID-19 surrounds every living minute of your day. Those of you who know me well or maybe just a little would, I dare say, describe me as a 'glass half full' person rather than 'half empty'. It is with this positivity that I see from some of the articles in this edition that there are many facets of our multi-disciplinary practice where COVID-19 has forced an acceleration in technological progress with great success.

Every crisis presents an opportunity and I hope you enjoy reading some of the things we have seen emerging – such as how residential is defying the pandemic….. but for how long? Why the world still needs offices? Actually on that point, I should say that all of Allsop's offices are open for business and COVID-19 secure. Our staff have the choice of working in the office or at home or a bit of both – wherever they can, in their eyes, be most effective. I digress…. We look at the creativity in Property Management – looking after residents in a pandemic, some shocking stats relating to mental health within the property industry, the increased interest in country houses, understanding the new use classes order and the potential advantages of the new freedoms, but of course there is an article on the reality that these are testing times for Landlord and Tenant relations and a 'can pay won't pay' movement.

Again, I would like to thank all our readers for your support during these rather strange and testing times.

Enjoy the read

Scott Tyler FRICS
Senior Partner

Contents

Is now the time to invest in residential?

In a totally unique climate, auctioneer Gary Murphy looks at the opportunities and risks for the smaller residential investor.

Residential property can be a great investment – particularly in the longer term. There are pitfalls at the best of times. But, against the background of an historic global pandemic, buying and selling decisions have become more challenging than ever. Most markets are cyclical. Values will rise and fall over time, often influenced by a range of factors. But they will always be underpinned by relative levels of confidence. Many people have made a lot of money from residential investment, often through good timing – whether by luck or judgment or a bit of both.

So when will be the right time to invest?

Savings rates are at an all-time low having halved over lockdown. The average one year fixed rate ISA pays little more than 0.5% compared to 1.14% in March this year. Property is a much higher yielding alternative with gross returns on assured shorthold tenancy investments at auction in 2020 ranging from 6.5% in London to 18.6% in the north-east (1).

People will always need a place to live, whether that is through ownership or renting. Demand from both forms of occupation underpin capital values. Unlike commercial property, which is often less valuable with no tenant in occupation, residential property that falls vacant can usually be sold to an owner occupier with no drop in value.

As a long term investment, residential property has performed well. In 1980 the average price of a home in the UK was £22,680. By July this year, this figure had risen to £241,000. As an asset class, residential offers the investor a 'total return' – capital appreciation (longer term) and an annual income from rental payments.

Buying unmodernised residential property (and there is a huge choice at auction) provides an opportunity to add value to your asset prior to letting.

'Oven ready' investments with tenants in occupation can often be purchased at auction at a small discount to vacant possession value – that is to say the price that might be paid by an owner occupier in the private treaty market after a more lengthy – and chain friendly – marketing period.

We are now in recession. Adversity brings opportunity. With greater distress in the market there is likely to be a rise in the level of forced selling. No doubt there will be pressure on lenders from Government to exercise forbearance, particularly on owner occupiers. Investors may receive less forgiving treatment and consensual (or, more accurately, arm-twisted) sales could become more prevalent – particularly by auction.

The Bank of England base rate is currently the lowest on record at 0.1%. Whilst this latest reduction is an emergency measure, it is unlikely that there will be a rise until economic growth improves. That said, banks are cautious. Mortgage rates have increased on higher loan to value debt. For lower geared borrowing however, now may a sensible time to fix.

So far the residential market appears to have been defying the pandemic. Despite Britain's economy having shrunk by a record 20.4% in the three months to June, average house prices have gained £30,000 over the same period. The property portal Rightmove reports that 38% more sales were agreed in July than over the same period a year ago. The paradox is a result of the release of pent up demand over lockdown, a release of stalled pre-lockdown purchases, a desire by some to change their lives post quarantine – whether that be through up- or down-sizing, divorce or relocation - and a rise in the level of stamp duty exemption from £125,000 to £500,000 to the end of March 2021 (although it seems unfortunate for buyers that cutting tax has resulted in higher prices.)

But is this mini boom sustainable?

The furlough scheme will end on 31 October and there is likely to be a rise in redundancies from that point. Both capital and rental values are likely to be impacted.

Existing investors whose tenants are in arrears will be aware of the Government's stance on evictions. Greater protection will be afforded over the winter by requiring landlords to provide tenants with six months' notice in all cases bar those involving anti-social behaviour and domestic abuse. These measures are likely to remain in place at least until the end of March 2021. Even those tenants who remain employed could try to negotiate discounts or rent payment holidays on renewal or perhaps mid-tenancy.

Tenants employed in vulnerable sectors such as travel, high street retail, entertainment and restaurants will be considered as a high risk.

Holiday and Airbnb lets may be affected by international travel restrictions – although such impact may be offset by greater numbers looking to staycation in the UK as a consequence.

The tax treatment of buy to let investments is no longer landlord friendly. Since April of this year, the private investor has not been able to deduct any mortgage interest payments from rental income before paying tax. Now, the entire sum of interest paid will qualify for 20% relief.

Sources :
(1) Essential Information Group
(2) ONS

"the love for property in this country runs deep"

For the first time investor in the residential market, it is very difficult to find that 'one size fits all' single purchase. Those who make a living from the sector know that a diverse portfolio - and a spread of risk - is the sensible course. Unfortunately, for the many with limited budgets, accumulation is a slow process.

Working habits are likely to have changed forever since COVID-19. Most sectors are unlikely to return to compulsory full time office working. Consequently, we are seeing price rises in most areas outside of London. In particular, homes within commutable distance of cities and with outside space (private or communal gardens, balconies, or proximity to parks, etc.) will be increasingly popular. So too will those with space to work from home – studies, second bedrooms, annexes, etc.

Immediately accessible transport links will become less important. And with almost a third of all retail sales now transacting online (2), so too will access to shops.

So it is perhaps no surprise that, of all the UK locations to choose from, London is the only one that is looking cheaper. Average house prices have fallen from £595,000 to £575,000 since mid-February. The highest rises have been seen in the north of England and Wales.

There is little question that we are in for an interesting ride over the next few years. But whether this mini boom is simply a short term spike before a long term slump, I doubt. The love for property in this country runs deep and I would like to think that confidence in the sector is sufficiently robust to stave off significant falls. There will be a myriad of drivers at play over the next few years, most of them COVID-19 induced, that will alter how and where we live.

As they say, there is nothing more certain than change.

Student housing and the importance of wellbeing during a global pandemic

Going to university for the first time can be daunting enough with the multitude of pressures: deciding which university to attend, finding accommodation, moving away from home for the first time, financial worries, making new friends and experiencing a new way of learning.

Things have dramatically changed over the past twelve months and starting university in September 2019 would have been a very different experience to those starting university today. During the challenging time brought on by the pandemic, a new set of stresses have emerged which will have an undeniable impact on students' mental health.

Additional stress

As a result of the pandemic, there is an abundance of additional stresses students are experiencing. The initial anxiety as to how their grades would be predicted after being unable to take their exams. The first 'result' was based on teacher-assessed grades, showing a 40% downgrade of predicted results. The Government then announced a U-turn, with both A-levels and GCSE results reverting to centre-assessed grades submitted by schools at the start of summer. Some universities have experienced an oversubscription to courses due to the unprecedented situation of this U-turn, and as a result, institutions such as Durham University are offering students a financial incentive if they delay their studies until next year. The impact on student deferrals, however, has been minimal, as only 5.7% of students have deferred their course, in comparison to 5.4% in 2019.

Because of the uncertainty around numbers of university students, there has also been an additional stress around securing accommodation. Many students cancelled their accommodation booking after receiving the first set of A-level results and then tried to rebook after receiving the second set of results. Some students have had to book alternative accommodation, adding to the multitude of uncertainties. This is more prevalent in the Russell Group university cities where the intake of students has increased significantly, including Manchester, Exeter and Nottingham.

In addition, students may have concerns over their safety and protection from the virus both within their accommodation and the university itself.

What universities and accommodation providers can do to help

Universities have been busy communicating with their new intake of students, providing a clear outline of the way they will teach, i.e. 50% online and 50% face-to-face teaching, with reduced class sizes. The induction process will be more important than ever to students due to the sheer volume of changes. Providing students with an understanding of how they will learn and how the university will operate safely is the first step in creating stability.

Most accommodation providers have offered flexibility for students with the option to cancel bookings without a charge and a wider range of tenancy offerings, from 38 to 52 weeks. Some managers like CRM are offering international students the opportunity to arrive two weeks prior to their booking to quarantine at no additional charge, along with the option of having check-in calls with on-site support staff.

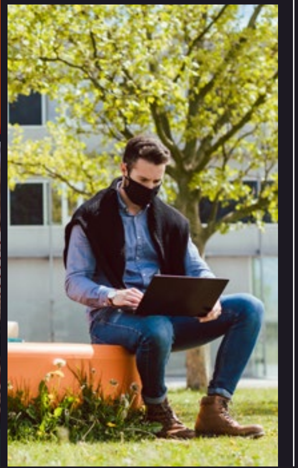
This offers support to students in a bid to reduce unnecessary pressure, particularly for international students.

The amenity offering within accommodation is more important than ever, as students are likely to be spending a larger proportion of their time inside their accommodation. *As outlined in my wellbeing-led design article back in 2018*, there needs to be an ample offering of open green space as well as communal areas to socialise responsibly. Factors such as natural light and physical wellness offerings like bike racks and fitness studios all help to support mental and physical wellbeing. Providers can offer amenity spaces safely with booking systems, excellent cleaning regimes, adhering to health and safety rules.

The student experience will be undoubtedly different, but providers can also support students' wellbeing with virtual social offerings such as online quizzes and cooking masterclasses as well as events within social bubbles who share communal space. Data collected by Unipol shows more students are now opting for social events that are not concentrated around alcohol, like book clubs: the modern day student is moving away from the typical stereotype.

Even prior to COVID-19, the sector had learnt the importance of mental wellbeing and the role of supporting students through the implementation of the BPF Mental Health and Wellbeing Guide for the student accommodation sector. The pandemic has undoubtedly created additional stresses, however I have no doubt that the industry will come together and use all of its resources to achieve the best outcome for the wellbeing of new students.

"students are now opting for social events that are not concentrated around alcohol, like book clubs: the modern day student is moving away from the typical stereotype"



Business Rates Review: **Call for Evidence**

Attempting to address the inefficiencies of the current system

At the spring budget the Government announced it would conduct a fundamental review of business rates due to the widespread concerns at the level of the tax and its effects on businesses. A dedicated consultation was opened in July which provides participants with an opportunity to share their views on the current business rates system in order to identify issues, gather ideas that may inform future changes and obtain feedback on alternative taxes.

This initiative followed a series of measures undertaken by the Government to support the UK economy during the COVID-19 pandemic, which included full business rates holidays for some of the worst hit sectors of the economy – retail, hospitality and leisure – for the current financial year.

The wide-ranging scope of the review could result in the most fundamental changes to the modern rating system since it was introduced in 1990. The Government will publish an interim report this autumn with the full conclusions being published next spring. The areas under consideration are as follows:

Rate reliefs

In the 2018/19 rate year, UK businesses were granted a combined £4.25bn in rates relief. Based on the sheer number of different reliefs available and taken up, the Treasury Select Committee has suggested that the system may be broken and needs to be revised.

The expansion of the number of reliefs available to businesses has led to the narrowing of the business rates base, which increases the pressure on other parts of the tax system. The Government has claimed there is evidence that some businesses are avoiding paying rates through the misuse of reliefs, particularly empty property relief. It is seeking evidence on whether reliefs can be simplified, targeted more effectively and made robust against abuse.

The Uniform Business Rate

The Uniform Business Rate (UBR) is the multiplier used to determine rates bills, which is increased every year in line with inflation to maintain rates revenues in real terms. When a rates revaluation takes place, the UBR is recalculated in order to bring in the same rates' income. The Government is considering alternative methods of setting the UBR each year as well as at revaluations and the merits of potentially introducing additional UBRs that vary by geography, property value or type.

The high UBR level is the fundamental issue which has led to the widespread concerns about the business rates system. Since 1990, the UBR has increased from

34.8p to 51.2.p today and will likely exceed 60p following the 2023 Rating Revaluation, representing a 72 per cent increase from its original level.

It is believed that a continuation of rates relief in the retail sector in 2021/22 is essential to avoid a catastrophic impact on businesses and jobs. Putting in place different multipliers for different types of properties would help provide relief in a targeted manner. The introduction of a retail UBR would enable relief to be granted directly to the retail sector. If an online sales tax were to be introduced, then the sums raised could be used to compensate for a lower retail UBR.

Valuations

The consultation also invites participants to consider how often revaluations should take place. In order to facilitate more frequent revaluations, the consultation is exploring whether moving away from precise valuations for individual properties and replacing them with a banding or zoning approach would be feasible. Participants are encouraged to share their thoughts on potential changes to the way in which the information necessary for revaluations is collected.

The Government is also exploring whether changing the current two-year gap between the date when the revaluation takes place and the date when it comes into effect would be beneficial. Since the call for evidence was published, the Scottish Government has confirmed that its 2023 Revaluation will be based on 2022 values and not 2021 values as is proposed in England. In England at every Rating Revaluation since 1990 there has been a two year lag between the valuation date for the Revaluation and the date it comes into effect. With the advance in technology over 30 years it has to be possible to shorten this to just one year as is proposed in Scotland.

Valuation transparency and appeals

While the Valuation Office Agency (VOA) has a legal obligation to protect the lease and rental information it collects, the Government is seeking evidence on the benefits of providing more information to ratepayers and views on any issues this would involve such as transactions covered by confidentiality agreements. At present, the VOA does not publish the rental evidence utilised to support its valuations unless an appeal is made. Providing this rental evidence at the outset would go a long way to help reduce the need to appeal, ensuring attention can be focused on incorrect rateable values.

Exploring alternatives to business rates

The Government is seeking views on the introduction of alternative taxes to either replace or complement the business rates system:

Capital values tax - As some are critical of taxing properties based on their rental value, the government is seeking views on whether a property tax based on capital values would address these concerns and how such a tax could improve upon the advantages of business rates. The Government recognises concerns as to defining who would be liable for a tax based on ownership and the implications of potentially transferring liability for tax from tenant to landowner or property owner.

Online sales tax - It has long been argued that business rates impose an unreasonable burden on retail where property is a major cost, creating a distortion which benefits online retailers that can operate without high-value commercial units. This has led to suggestions that a tax should be levied on companies based on their online sales, which could be used to fund business rates reductions for retail properties. The Government is looking for evidence on the benefits and risks of introducing an online sales tax and how it could be operated.

"the system may be broken and needs to be revised"

Knowing your onions saves investment tears

The outbreak of the pandemic and the subsequent lockdown proved to be a challenging time for the global economy, but nevertheless, investment activity within the UK commercial property market never ceased to the extent we had imagined it might. Naturally, property investors have started to exercise greater caution in this ever-changing market, so being able to present them with the most relevant opportunities that have long-term potential has become more important than ever.

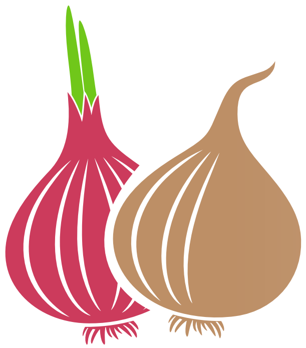
Since the onset of lockdown, the UK market recorded its largest ever fall in property transactions, shrinking to £10.3bn from £22.9bn, however, the volume of transactions that the Allsop national investment team has worked on has surpassed £300m, and as a firm well over £600m, reflecting continuous interest from private UK as well as overseas investors, and a new raft of opportunities for sellers. Due to the drop in the value of the pound following the Brexit vote, the UK retains its appeal as an investment destination for foreign buyers from across the globe, including the Far East, Middle East and North American Investors.

Growing appetite for quality assets

COVID-19 has intensified buyer appetite for certain assets, as demonstrated by some of the large transactions the Allsop team has handled since March.

These included the £40m acquisition of Twenty Chapel Street, a prime Liverpool office building purchased by an overseas investor. This asset was an attractive proposition due to the combination of its excellent location and quality of building, coupled with a low rent and capital value per square foot.

Another high-value transaction Allsop executed during lockdown was the acquisition of a prime retail warehouse in affluent Oxford for £11.42m. At the time of purchase, the property was let to a strong-performing DIY operator for 18 years, providing visibility and reassurance. Finally, Allsop advised one of its clients on the acquisition of a Luton-based business park, which was subsequently acquired for £62m. Let to a strong tenant for a period of 10 years, it presented an attractive opportunity to weather the COVID-19 storm.



Volume of transactions
£300m

Liverpool acquisition
£40m

Oxford transaction
£11.42m

The market for retail parks, which was far from buoyant prior to the outbreak of the pandemic, is now looking like a more attractive opportunity for investors as these retail units provide larger format stores and are able to accommodate the social distancing requirements of COVID-19 more easily while reducing the need for public transport thanks to their good on-site parking provisions.

The industrial/logistics sector is again benefitting from COVID-19 as 'last-mile delivery' has strengthened as more consumers have been forced to buy online instead of visiting shops. Investors are also on the lookout for redevelopment opportunities, specifically retail/office to residential conversions, as the shortage of housing in the UK shows no signs of subsiding.

The market has also strengthened for long-dated assets secured to excellent covenants, such as the Government and supermarket operators. Allsop advised Courtenay Investments on the sale of an office investment in Tottenham, London which received over 200 enquiries and sold in just four days for £7m, reflecting a net initial yield of 4.75%. Another highly successful transaction involved the sale of a large food store in Crowborough, East Sussex which generated substantial interest and was ultimately sold for £6.6m, well above the asking price, thanks to its potential to generate long-term income in an uncertain time, with a net initial yield of 5.62%.

What's on the investment horizon?

Despite the flurry of activity we have observed in the market over the past few months, sellers are starting to face new challenges. As investors become more risk-averse and focus on long-term gains, it has never been more important to position assets in the right way.

"COVID-19 has intensified buyer appetite for certain assets"

Luton acquisition
£62m

Tottenham sale
£7m

East Sussex sale
£6.6m

This requires an in-depth understanding of the market and of the property in question, as well as a good insight into the investor's needs and strategy.

We have been fortunate to transact in one of the most challenging periods the industry has ever faced, and our unique insight into the market and a strong database of 50,000 registered investors has enabled us to gain to valuable insights into what buyers want to buy now, what's less appealing and why.

Ever the optimists, we believe once the COVID situation subsides all sectors of the property industry will again become highly prized as investors look for higher income returns in comparison to the current low returns other investment classes provide. Transaction volumes may well again return to record levels next year once the worst of the pandemic subsides through better treatment and the introduction of a vaccine. But for now, it is important for sellers to implement a targeted approach with carefully crafted marketing messages, ensuring they hit their target audience from the get-go, and no opportunity is missed in this cautious market. Perhaps that's why so many investors are buying now?

Why the world still needs offices

As we now sit in the aftermath of a lockdown period, the one question I am asked almost daily is; what is your view on the future of offices?

As a surveyor acting for both landlords and tenants, I am naturally biased and look optimistically to the return of a buoyant occupational market; however, even with my 'impartial' hat on, I must concede that home working has been a good short-term solution for businesses. Be that as it may, it is not a feasible long-term substitute for office working.

Working from home is not a new phenomenon – this has been happening long before the COVID-19 pandemic. The way in which people were working pre-COVID was changing and the past six months has only accelerated this change. Across all industries, businesses have been investing more in staff wellness and working culture including an increase in flexible working. Working from home offers some wonderful benefits notably; more family time and no commute. My answer to the above question, and personal preference is that the future of working will entail the best of both, not one nor the other.

I hope that flexibility and staff wellbeing continues to be promoted, however, removing the office in its entirety is not the best option for businesses and here are my reasons why:

They provide a place for learning

I started at Allsop as a graduate nine years ago fresh out of University. Despite a three-year BSc education in which I learnt the theory and process of the Real Estate industry, nothing quite prepares you for working in the real world. I learnt more in the first few months of being in an office than any lecturer could have taught me; being taken to meetings, overhearing phone conversations; interacting with colleagues and shadowing my superiors/mentors. To think you could gain this experience over a Zoom call is simply unrealistic.

They allow a collaborative space with energy and vibrancy

Working with other people in a collaborative environment keeps the mind and body energised. As mentioned by Forbes magazine; "Being together virtually just doesn't have the same magic - some people are engaged, some are distracted, some are multi-tasking and some are having technical difficulties." There is no substantial replacement for face-to-face interaction. Working within a group culture increases communication and creates collaborative discussion resulting in increased efficiency.

Attracting new talent

As businesses continue to fight for quality talent and hires, the emphasis for an inviting, cohesive and dynamic working environment has never been so important. Presenting new employees with the opportunity to work solely from their homes is hardly an enticing offer as most people generally do crave the in-person interaction with colleagues, especially new ones. Company culture is so important to businesses and this would never be achieved with staff only having virtual relationships with one another. Company culture centred around the office should be seen by business owners as an investment, not a liability.

A healthy state of mind

For many workers, especially the younger, working from home often entails a cramped bedroom in a flat share. I for

"it is clear that there will be more working from home, but this is not the future"

Being together virtually just doesn't have the same magic

one simply cannot get excited about the prospect of spending the working week sitting alone and staring at the wall in my spare-bedroom. Whilst of course there are people who have offices at their homes, this is a minority. Your home then becomes your place or work which makes it hard to compartmentalise and know how to switch off between the two. Being able to physically distance ourselves from work makes it easier to dissociate ourselves mentally and achieve that much desired healthy work/life balance.

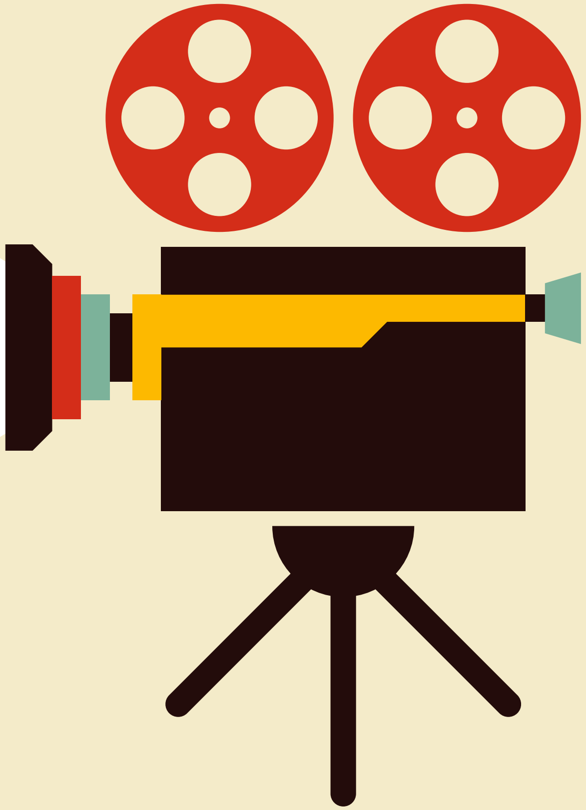
Relationships

Business have been able to operate throughout the pandemic with varying efficiency; however, I wonder how different this would have been if relationships with clients had not already been established. My view is that the only reason many businesses have still operated 'as usual' is because of the strong pre-existing client/staff relationships that have been fostered over time through numerous face-to-face encounters. Without these prior personal interactions, it is hard to think how you would have created these relationships. From speaking to a variety of clients over the past couple of months, it has become clearly apparent that the quality of discussions via Zoom fall short of those had in person with a coffee or beer!

For me, trust, is going to be the key word going forward. Trust that you can produce the same quality and quantity of output regardless of whether you are working from home or the office. People will be increasingly appraised more on results than 'presenteeism'. It is clear that there will be more working from home, but this is not the future. The future is the best of both, office working with the flexibility to work from home when this can be done efficiently.

CHANGING CONSUMER HABITS HELP REVIVE INTEREST IN FILM STUDIOS AS AN ASSET CLASS

The streaming services industry which has grown to include Netflix, Disney +, Amazon Prime, Apple TV+, Hulu, HBO Go, and a host of smaller platforms, emerged as among the biggest beneficiaries during lockdown. According to research by information and measurement company Nielsen, during the week of March 30, people spent more than 160 billion minutes streaming video, up from 69.8 billion minutes in 2019. Fulfilling this growing demand presents a challenge for Netflix and its competitors across the world, not least because the space in which movies and TV shows can be produced is severely limited.



Ashford International Studios. 200,000 sq ft studio complex includes four 20,000 sq ft sound stages with associated offices, alongside 90,000 sq ft of commercial accommodation within Grade II listed former locomotive sheds.

The changing landscape

The UK film industry has traditionally relied on the large studio complexes of Pinewood, Shepperton and Elstree, but given the global increase in consumer appetite, there is an urgent need for more and better equipped spaces for movie production.

The UK is second only to the Greater Los Angeles region in the U.S. in terms of square footage of soundstages in TV and film production centres. It has long been a global hotbed for the production of film and TV dramas, particularly within the South East of England. It has the educated workforce required to film and produce, as well as a wide range of locations across rural countryside, sprawling metropolis (Batman is currently being filmed in Liverpool City Centre), urban decay, beaches, and even a desert in Kent. All this, plus the tax breaks makes it a very attractive place to produce shows.

Given that demand for studio space continues to outstrip supply, there is a clear need for new purpose-built film studios capable of hosting big-budget productions. There is a reason why this particular asset class is so scarce – traditionally, production companies have opted for short leases, for fear of shows getting cancelled after one season, which did not incentivise the construction of quality purpose-built film studios. But the rise of Netflix and other streaming services has changed the equation. The new content creators want offices on-site and are willing to make longer-term commitments for space they could restage after a show.

This revived interested is evidenced by the fact that Pinewood Studios is now fully leased to Disney for 10 years, while Shepperton is entirely occupied by Netflix. Elstree Studios is fully let to CBS/ Universal (the owners of Sky), who recently admitted that they would need more space on top of the extension for which they recently obtained a planning permission. This is a very worrying trend for producers who soon will not be able to get into any facilities, especially with the backlog of shows that lockdown has created.

Looking ahead

The future of studio complexes will look very different. At present, there are only a few studios that are consented with the leading facilities, including Littlewoods in Liverpool, Dagenham East in east London and Ashford International Studios.

No longer will the tech giants controlling the entertainment market put up with the facilities they currently have to work with. With thousands of staff who could be on site for many months, it is important for the streaming companies to be able to provide their talent with the best possible experience.

In order to appeal to potential tenants, these facilities have to be competitively priced against logistics and industrial assets. In addition, they require substantial areas of land to house the equivalent of an aircraft hangar for the stages' complex. These considerations make the traditional west London locations with their lack of space and expensive housing unviable.

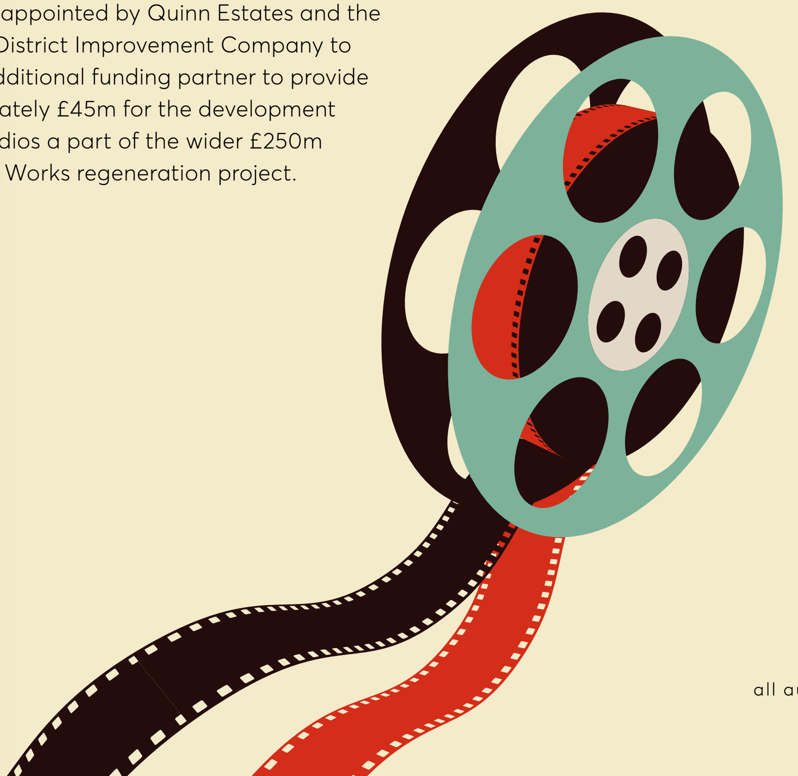
"there is an urgent need for more and better equipped spaces for movie production"

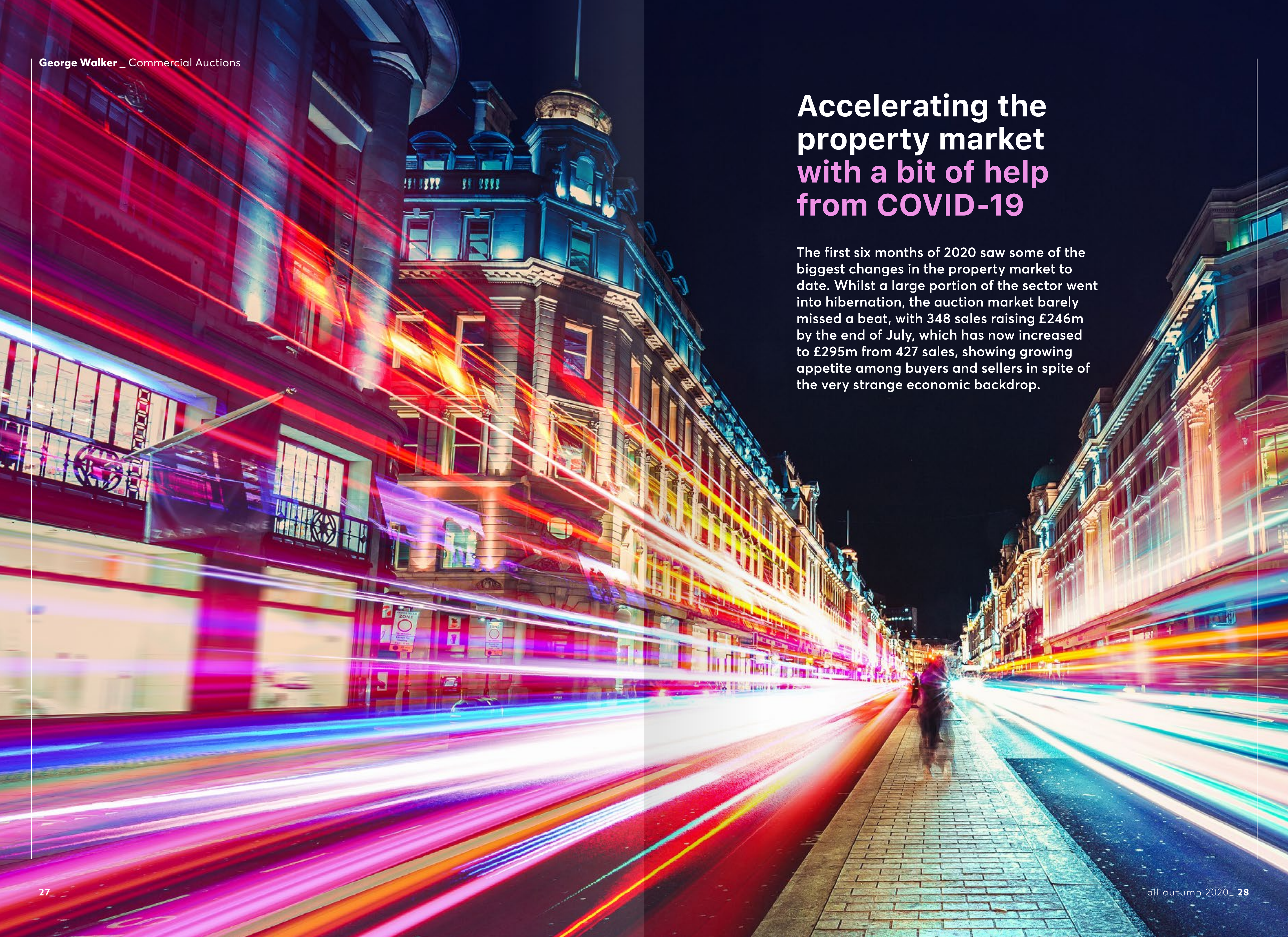
The new facilities at Ashford International Studios combine the creative environments of four film and high-end TV stages, production offices, educational facilities, high-end accommodation for visiting productions, retail and leisure and offices to accommodate all of the supporting functions.

Although the sound stage complex will provide approximately 200,000 sq ft, there will still remain a significant shortfall of space. Allsop has been appointed by Quinn Estates and the Creative District Improvement Company to find an additional funding partner to provide approximately £45m for the development of the studios a part of the wider £250m Newtown Works regeneration project.

Earlier this year, Allsop advised Jacob Loftus' General Projects and British Airways Pension Fund on the purchase of Oscar-winning Twickenham Studios, with British Airways investing a further £12M to revamp the studios, showing an appetite for this frequently overlooked asset class.

While COVID-19 and the subsequent lockdown have had an undeniable affect on many asset classes within the property sector, they have also played an important role in intensifying the demand for high-quality spaces for use as film studios, once again showing that every crisis presents an opportunity.





Accelerating the property market **with a bit of help from COVID-19**

The first six months of 2020 saw some of the biggest changes in the property market to date. Whilst a large portion of the sector went into hibernation, the auction market barely missed a beat, with 348 sales raising £246m by the end of July, which has now increased to £295m from 427 sales, showing growing appetite among buyers and sellers in spite of the very strange economic backdrop.

> **“any anxiety about how or where to bid was swept aside in the continuing desire to trade and invest”**

Off to a good start

The year started on a highly optimistic note, largely because of the ‘Boris Bounce’ and the sense of change in the air, which could also be felt during our first auction in 2020, resulting in £70m worth of sales.

Little did we know that a couple of months into the year the world would go into lockdown, presenting the market with a host of unknowns: would buyers bid without inspecting? What would the impact be on the struggling high street? How hard would prices be hit across the board; will any sector prosper from this malaise?

Among other measures taken to support the economy, the Bank of England cut interest rates to 0.1%. The stock market fell dramatically, and the dividend income fell away with it. At the end of April, over half of the FTSE 100 companies had reduced their dividend payments, forcing investors to think of alternative ways to allocate cash and secure income. Unsurprisingly, many of them turned to property.

Auctions, but not as you know them

The UK auction market suffered from a series of cancelled events, but for Allsop, lockdown presented an opportunity to further develop our digital offering in a very short space of time, showing the power of force majeure events to accelerate change.

Our web site has added to the digitisation of property sales with buyers already able to produce their own 3D tours on their phones, garner comparables and legal research from their desktops and add as much extra data as they need to influence their decision.

Hosting property auctions online has enabled Allsop to continue presenting appealing opportunities to a receptive public. Out of 400 or so buyers that have taken part in our auctions, only 12.5% have used finance to exchange contracts, while the rest readily transacted in cash.

The success of our new online offering has assured buyers and sellers that the commercial auction property market is still very much alive despite the challenging times. In tricky markets like this, both buyers and sellers seek commitment, which makes the unconditional contract that underpins auctions ideal for both parties.

Identifying the right opportunities

In today’s unstable world, sustainable income opportunities have never been more attractive.

Having learnt the lessons of COVID-19, buyers have been paying more attention to their tenants’ track record and avoided dealing with well-financed occupiers that are seen to be exploiting the Government’s tenant protection scheme.

In terms of assets, there is a lot of enthusiasm for well-let convenience stores with corporate tenants, such as Co-op, as yields harden.

There is a renewed interest in the suburbs where rents might have flatlined over the last decade but now look affordable as they have benefitted from targeted support through the job retention scheme and rates holidays, along with increased local spend as workers stay away from city centres.

The format of the auctions may have altered, but our fundamental approach hasn’t – despite not being in the ballroom, we still take time to speak to every buyer and conduct regular surveys.

The final quarter of the year will be no less interesting as high street retail still has to find its level and buyers chase sustainable rental income from other assets such as multi-let industrial, the alternative sectors and diversify their risk across mixed-use opportunities. We look forward to our next auction on 3 November, which, as always, will provide plenty of food for thought for buyers and sellers alike.

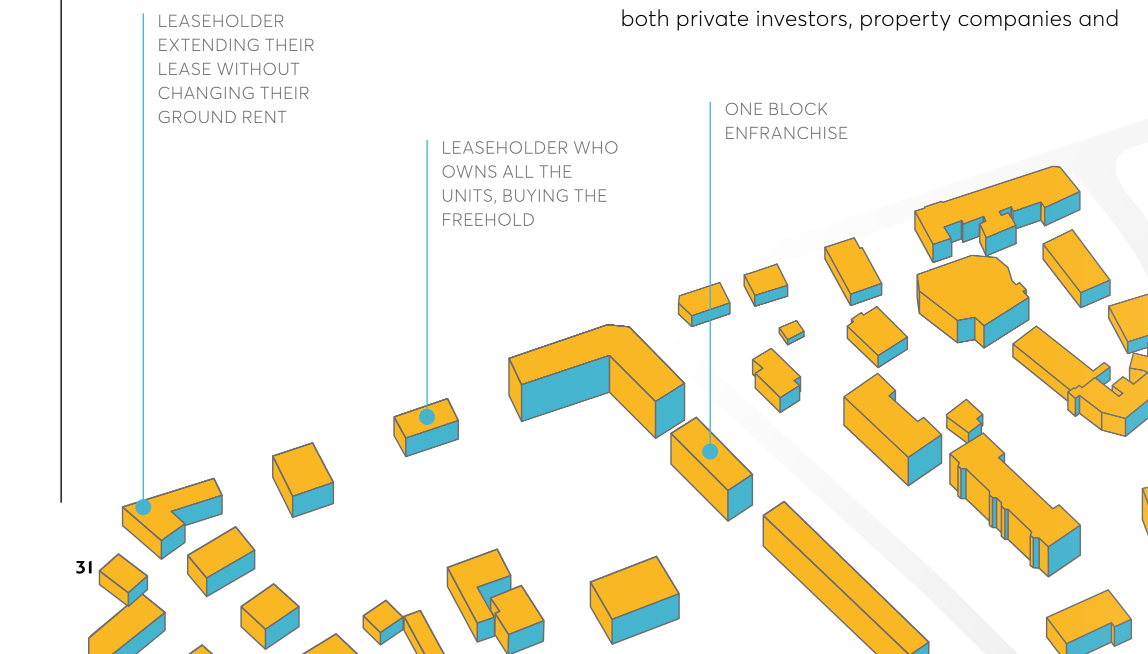
Download our Commercial Auction Market Review

Residential Ground Rents – Still a risky asset class in 2020

A lot can happen in a year but 2020 has been unlike any year in recent human history. Less than six months ago the investment status of Residential Ground Rents, which historically have been compared to AAA Bonds or even gold, had become surprisingly more uncertain.

This was a result of the continued prospect of far reaching Leasehold Reform which has been under Government review since December 2017; with final recommendations having been put forward by the Law Commission this July. Of course it remains unclear as to exactly what basket of reforms will finally be implemented by the Government – and when it will find the legislative time in Parliament to effect the changes - but the horizon is certainly becoming less blurry for investors who can now at least price in a risk premium for what they perceive to be the extent of the likely reforms. During the last three years it's fair to say that existing Freeholders have also gone through a period of price recalibration and have largely accepted that certain reforms in the sector are inevitable.

In a climate when almost every sector of the real estate market seems to be facing major uncertainty (and therefore risk) for one reason or another, it is not surprising that we are currently seeing a renewed focus on Ground Rents from both private investors, property companies and



even institutional funds. Following the lockdown and the Law Commission's report publication, we witnessed a significant increase in the demand for Ground Rent investment opportunities, with several private treaty sales currently in solicitors' hands and the volume of sales at auction hitting particularly high success rates with 93 ground rents sold in July and August.

So why were Ground Rents so popular?

Ground Rents historically provided Freeholders with a solid and almost certain income, excellent underlying collateral, known rent review patterns (many tracking the cost of living via RPI/CPI or doubling review clauses) and the opportunity to receive a premium for a lease extension when the unexpired term of a lease typically falls below 80 - 90 years. What was not to like?

Could this popularity return?

Time will tell, however, providing the reforms are implemented fairly for both Freeholders and Leaseholders, it is difficult to see why investor demand will not return to pre-2016 levels, albeit at risk adjusted YP levels. The Law Commission has been very clear in its recommendations that these reforms should by no means be a land grab for Leaseholders. It states that Freeholders should receive sufficient compensation to justify the interference in their legitimate property interests following the reforms.

The Law Commission also recognised that Freehold ownership of residential blocks is broad and not just a benefit of the 'gentry', for example Pension Funds, Charities, Housing Associations and Local Authorities are all major Freeholders and the unfair diminution in the value of their legitimate property interests would have far reaching financial consequences on many areas of society and unsuspecting individuals.

So what recommendations were put forward by the Law Commission this July?

Though not exhaustive, in short the more significant recommendations are as follows:

- Lease extensions should be by 990 years, not the current 90
- Landlord retains redevelopment break rights every 90 years
- Houses should get lease extensions of equivalent length as flats (currently houses only get 50 years)
- No distinction in law between houses and flats. The new legislation will refer to both as a 'residential unit'.
- Leaseholders can extend their lease without changing their Ground Rent
- Right for leaseholders who already have long leases (and do not wish to extend) to buy out their Ground Rent
- Right of a leaseholder who owns all the units in a building to buy the freehold
- Collective freehold enfranchisement to extend to part of a block, not the whole (i.e. if there were a series of blocks in an estate, one block could enfranchise)
- Increase in the non-residential floor area to 50% from 25% that qualifies for enfranchisement
- Abolition of the two year occupancy requirement before extending a lease/ enfranchise
- Proposal that the low rent test and the rateable value test should be abolished
- Proposal that shared ownership leases (previously excluded) should have the same rights as normal leaseholders
- Elimination of the leaseholder's liability for landlord's costs.
- Recommendation that the Government regulates lease extensions that are negotiated outside the Act

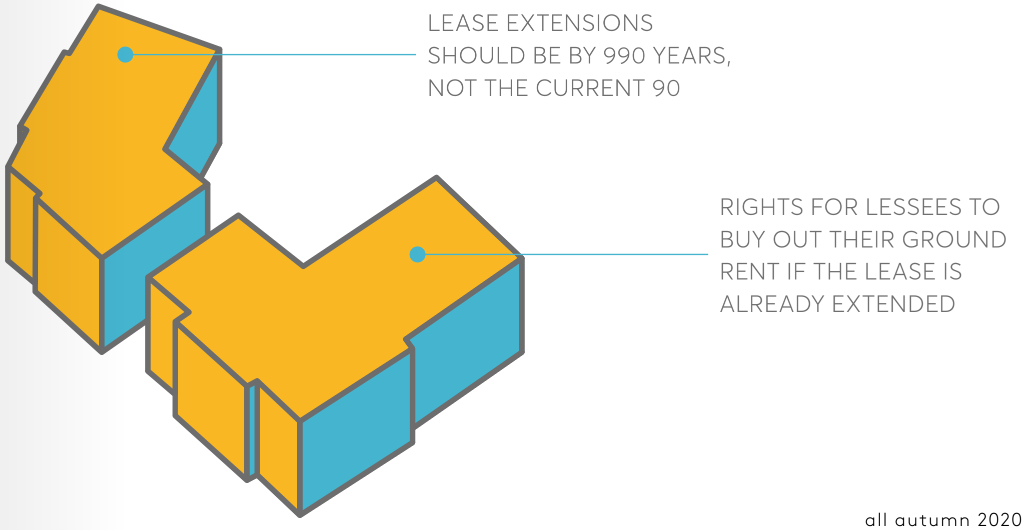
"such a change will clearly shift the balance of power to leaseholders over time"

A last bite of the cherry for Freeholders?

Without a doubt the two biggest changes would be to legislate that lease extensions would be for a period of 990 years and not the current 90 years, and also to give rights for lessees to buy out their Ground Rent if the lease is already extended. Such a change will clearly shift the balance of power to leaseholders over time, which is arguably one of the main objectives of the reforms, but at least this risk and transition could be priced in by investors.

Logically, the vast majority of lessees in the UK will continue to pay their Ground Rents until new legislation arrives and even once it is in place, providing they are not set at unreasonable levels it is unlikely they will be changed, so Ground Rent arrears should remain minimal with lessees wanting to avoid all the problems of falling into arrears. Inevitably Freeholders will be called upon to extend leases at a premium to enable the smooth sale and re-mortgaging of the lessees' leasehold interests.

I have asked a number of contacts and clients if they would purchase a freehold Ground Rent investment now (ahead of the potential changes in legislation) providing the Ground Rents were not onerous (i.e. being no greater than 0.1% of the flat values) and the rent review pattern was not unreasonable. The general consensus was that most probably would, while applying an appropriate risk premium of course!



REGAINING CONTROL POST COVID-19

Emergency legislation was brought into force on 26 March 2020 which impacted existing possession and forfeiture proceedings and also restricted landlords' rights to start new proceedings to recover possession across their portfolios. At this point, many landlords' income streams came to a dramatic halt and they have been left in limbo.

Possession proceedings were halted until September.

Originally, the legislation put a stay on proceedings until 30 June, however this was extended again. As of 20th September residential possession proceedings have re-started, although in most cases landlords now have to give 6 months rather than 2 months' notice and commercial tenants are protected from forfeiture proceedings until January 2021. Understandably, this has raised many questions within the commercial property sector, and the Receivership team has been working with lenders and solicitors to provide some clarity and advise on the best course of action.

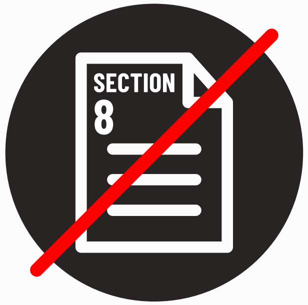
Prior to COVID-19, landlords and Receivers could issue proceedings to end a residential tenancy after either 2 months of non-payment of rent (section 8) or no fault (section 21). The notice periods have now been extended to 6 months. Some tenants who did not pay rent prior to the pandemic continue in this manner, highlighting the need in 'normal' times for landlords to act quickly.

Tenants are aware that proceedings cannot be enforced until 20 September or January 2021 (depending on whether they are residential or commercial tenants) and often refuse to engage in negotiations. Whatever the reason for rental arrears, when appointed as receivers, we carefully consider whether to issue proceedings, offer incentives to tenants to leave or to renegotiate the tenancy terms.

Understandably, many charge holders have reservations surrounding the reputational risk of enforcing possession proceedings. This is further exacerbated by the fact that it is likely to take between 9 and 12 months to overcome the backlog of proceedings in the courts and FCA guidance is to give borrowers until 31st October 2020 before issuing proceedings. In some cases, it may be better to appoint Receivers who then sell the property as is, subject to the occupancy rather than procure possession due to the backlog in the courts, combined with accruing interest and market risk.

On the commercial side, the picture looks rather different. Government grants for small businesses and rates relief have enabled small businesses to largely pay their rent, encouraging landlords and tenants to work collaboratively. However, some landlord / tenant relationships have been

Many previous actions are no longer viable options.



What is the best course of action to get the best results?

RE-LET?

INCENTIVES?

LEGALS?

SELL?

BEST RESULTS?

badly damaged; it has been widely reported that a number of household names who have traded throughout lockdown have refused to pay rent posing questions over how much an investor should factor in covenant strength. Investors will not forget these tenants' attitudes during the pandemic. Such behaviour does present significant challenges, with many other tenants threatening to vacate premises if a turnover rent is not agreed, and others have simply stated they will not pay.

At the moment, commercial tenants are still liable for all rent unless agreement is reached with the landlord. However, many question tenants' ability to pay arrears, even if they remain in business.

If they do leave, will there be occupational demand for the vacant unit? Landlords and Receivers are left with the quandary: is it better to have a vacant building and incur the associated costs or to have a 'strong' tenant covenant not paying rent? There is a real risk of being unable to re-let vacant premises in the current climate.

The Receivership team has spent a lot of time considering the best course of action, focusing on the following questions:

- Can the property be easily re-let?
- Is it appropriate to offer tenants an incentive to leave in the current climate?
- What legal action can they take to evict a tenant? Would an injunction be appropriate?
- Can they sell the property subject to its occupation and allow a purchaser to take the risk reducing the property's exposure to market uncertainty?
- What is best outcome for the lender and borrower?

One guarantee in this uncertain climate is that when the Government schemes end and tenants are left to rely on their own cash flows, there will be distress in the market. As Receivers, we are ready to rise to the challenge and ensure best price is achieved during this tumultuous time whilst tapping into our depth of knowledge and coming up with innovative solutions.

"the Receivership team has spent a lot of time considering the best course of action"

WHAT AWAITS THE RETAIL ESTATE SECTOR IN THE AFTERMATH OF COVID-19?

Just a few months ago a commercial investment let on a full or effectively full repairing and insuring lease was typically seen as a way of securing a return in the current climate of low interest rates without the need for high-intensity management.

Roll on six months, and the rule book has been rewritten, particularly within the retail sector. Following the forced closure of non-essential businesses across the UK during lockdown and the subsequent financial implications of operating a socially distanced store, restaurant or bar, a tenant's ability to meet its rental obligations has been seriously hampered. Less than 25% of retail tenants paid their rent on time in the March and June quarters, albeit figures rose to approximately two thirds around 60 days after the due date.

Whilst national restrictions have now eased, and a greater focus is being placed on local lockdowns, the rent collection figures for the quarter day in September do not paint a rosy picture for the retail sector.

The vulnerability of certain parts of the retail sector has never been more pronounced with countless announcements of store closures, administrations, CVAs or demands for rent cuts. Fashion retailers have been particularly hit with Jack Wills announcing store closures, All Saints, Monsoon and New Look launching CVAs; Oasis, Warehouse, Quiz and Victoria's Secret entering administration and H&M and Primark demanding rent cuts. Shopping centre owners have felt the consequences of this fallout with Intu collapsing, and rent collection levels for other big players being at historic lows.

Hammerson's June quarter rent collection stood at 16% on the quarter day, and British Land fared slightly better at 36%. Rent collection figures for September haven't shown any significant improvement, with landlords across the UK receiving 22.1% of commercial rents due on 29 September, just slightly above the 18.2% of rental payments made in June.

The relationship between landlord and tenant in modern times has never been more tested. Government intervention has removed landlords' power to force

NO

"we now find ourselves witnessing a can pay won't pay movement"

rent collection through the courts which has led to a number of well-capitalised tenants taking advantage. This moratorium has been extended to the end of the year, and we now find ourselves witnessing the rise of a **'can pay won't pay'** movement.

The way the property industry assesses a tenant's covenant is likely to radically change. No longer will we focus on historic accounts; instead, much greater scrutiny will be placed on the sustainability of a business. Over the last few months, we at Allsop have witnessed a flight to sustainable income streams with investors showing a strong appetite for Government-backed income, such as Job Centres, convenience retailing and high-street banks. The industrial sector is also benefiting as businesses look to adopt a dual 'just in time' (JIT) and 'just in case' (JIC) logistics model, with the latter meaning businesses stockpile goods in the UK to prevent the shortages we encountered at the outset of the pandemic.

COVID-19 has sped up the demise of many ailing businesses, forcing many to undertake an urgent review of their operational property estate in light of ever increasing online sales. It is also likely to leave a lasting impression on how our industry operates going forward. For example, are turnover rents to become the norm in the leisure sector and will monthly rent collection replace the four quarter days?

As in any crisis, there are winners and losers. Those that react and adapt to the changing environment will no doubt fare better than those that stand still. Some retailers will not survive, whereas those that do will have rebased rents and both landlords and retailers will need to reinvent the experience.

We may be left with a two-tier market – destination and experience retail that people want to visit and at the other end of the scale – community shopping parades and convenience retail. The retail that falls outside of these brackets is likely to see significant falls in value, to the point where repurposing becomes viable.

What has become clear as a result of this crisis is that both landlords and tenants need to rethink their ways of conducting business in order to ensure sustainable returns in a post-COVID-19 world, which has exposed many weaknesses within the retail sector.

John Banbury _ Lease Consultancy

The reform that can redefine the real estate sector

On 1 September 2020 two radical changes to the planning system came into effect in England. The first one is focused on an overhaul of the Permitted Development Rights legislation, making the rights permanent and expanding them. The other reform is focused on the current long-standing Use Classes Order in favour of increased flexibility in the hope of supporting the recovery of UK high streets and towns.

Permitted Development Rights (PDR)

The PDR changes will make it easier to demolish vacant and redundant buildings and re-build them as residential within the old footprint. There is a long list of conditions developers need to satisfy before the project gets the green light, and local authorities will be able to object on more grounds than previously, however, they will be required to present their decision within eight weeks, after which the applicant can appeal to the planning secretary in England for non-determination of the prior approval application.

The new use classes will not affect the types of properties that fall within the remit of Permitted Development Rights and will only apply to properties that previously fell within uses B1(a)(b)(c) or C3 on 12 March 2020. According to these caveats, the building must be free-standing, built before 1990, not listed or located in a conservation area or a national park and be smaller than 1,000 sq m.

Use Class

The overhaul of the Use Class Order will make it easier to change a building's use classification within towns across England without the need to obtain planning permission. The changes will see us wave goodbye to Classes A1, A2, A3, B1, D1 and D2, which will be replaced with a new Class E defined as 'Commercial business and service'.

This new class will cover a wide range of uses, including retail, financial and professional services, cafés and restaurants (currently A1-A3); offices, research and development and light industrial (currently B1a, b and c); clinics, health centres and nurseries (currently D1), and indoor sport and recreation (currently D2).

The reform will see the introduction of two new use classes: Class F.1 (Learning and non-residential institutions) which currently sits within use class D1, and F.2 (Local community) which currently sits within use class D2.

As we would expect, there have been some exclusions from Class E to protect uses with community value, for example 'cinemas and

"this would allow for a more fluid use of space"

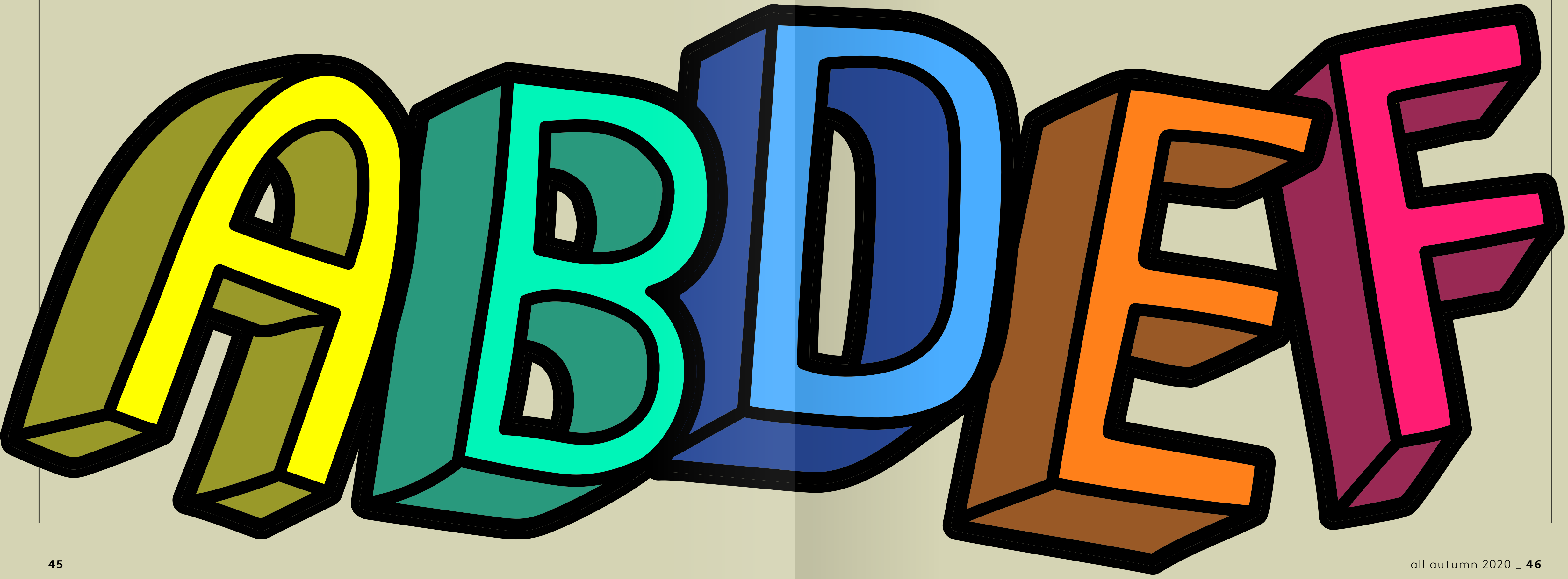
bingo halls' (currently D2) and to prevent unrestricted conversion to uses with potentially negative externalities, for example drinking establishments (currently A4) and hot food takeaways (currently A5). These now fall within Sui Generis use and will need planning permission for change of use to or from.

In principle, this would allow for a more fluid use of space, for example, a shop that functions as a restaurant or gym in the evenings, however, aside from practical considerations, current leases probably restrict that, encouraging tenants to stick to the original use as defined at the point of signing the lease.

In future, it is possible that leases which allow the tenant to use the full range of Use Class E will attract a higher rent because of the flexibility they offer to the occupier. Without planning restrictions, changes between uses under Class E will become a simple negotiation between the landlord and the tenant to agree on the scope of permitted use. It will be interesting to see whether super flexible shop fit-outs (like the Adaptive Retail Space offered by Sook, which allows retailers to rent shops for as little as a couple of hours, with a pre-designed fit out) will enable some spaces to be used by a variety of occupiers in a single day. Could this in turn lead to greater revenue generation per square foot and higher rents, as well as more affordable spaces for small businesses?

It is worth noting that the changes will not affect most current lease user clauses, and if lease drafters want to refer to a specific use type, for example, office, they can do so by referring to the subcategories of Class E, for example Class E (g), which specifies office use.

So far, we have only seen landlords trying to keep the status quo and replicate old user clauses, but we may see some property owners taking advantage of the new freedom to grant wider uses if that means being able to charge higher rents. The medium-term impact these new changes will have on a rent review are yet to be seen, and we will continue following the practical implementation of this promising reform.



The Investment Case for BTR

There is little need for an introduction to set the scene for this article. We have all been through an extraordinary six months; the most challenging many of us have faced both professionally and personally in our lifetimes.

The uncertain nature around COVID-19 has everyone asking, 'what does the future look like?'. Without access to a crystal ball, we can not be too certain, however what we can do is shift the focus to adapting as quickly as we can to the changing business and social environment.

Another consistent question that is asked is whether COVID-19 will halt the pace of the burgeoning Build to Rent (BTR) sector? Winding back the clock, Q1 2020 saw over £1bn of investment into BTR in the UK, which was the highest level to date; until the music stopped. Q2 saw circa £80M of investment; a stark contrast and around 90% down year on year.

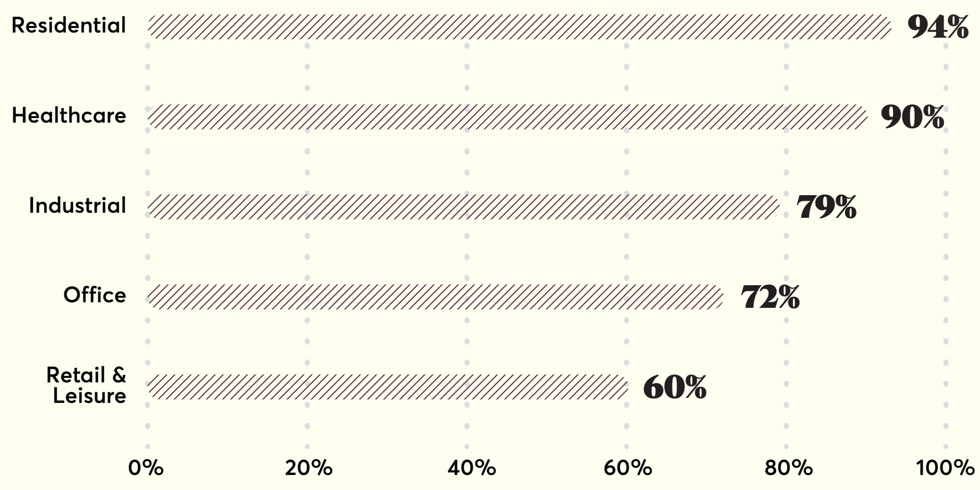
The BTR sector is not alone in feeling the effects of the global impact the pandemic has caused, however it is being seen as one of those most likely to emerge from the clouds with robust investment fundamentals. We understand that there is approximately £1.5bn of BTR transactions currently under offer. Our coal face experience on the deals that Allsop is involved in through the lockdown, is that all have remained resilient and investors committed with limited impact on pricing. Therefore, the signs are that BTR is riding the uncertainty wave relatively well.

What is underpinning this confidence?

As the sector was one of the first to have the material valuation uncertainty clause removed, investors have remained attracted to this long-term asset, thanks to the counter cyclical dynamics of investing in high quality residential investments.

It has been well documented that some real estate sectors have suffered badly as a result of the pandemic. High Street retail and leisure are the two

"the signs are that BTR is riding the uncertainty wave relatively well"



Source: Goodbody, Remit Consulting

* Note rent collection rates are for the major UK REITs and are adjusted for monthly payments etc.

standout examples. Most notably, John Lewis has recently announced that it is considering repurposing some of its stores with an element of Build to Rent.

The UK's undersupply of housing has not changed and according to the ONS, people living in rental accommodation has risen from 13% to 20% in the last 10 years. When renting a new property, a consumer usually has to consider their budget first and foremost. For example, if a resident's financial situation changes then you may find they look to share a two-bed apartment rather than rent a one-bedroom. It is also acknowledged that a person's home is the last thing they want to lose and so they will focus on paying the mortgage/rent, whilst having to sacrifice lifestyle activities and tightening their spending budgets.

Renting through a pandemic

The graph above shows rent collection across the main investment sectors for the major UK REIT's by the end of Q2 2020:

This demonstrates the resilience of the residential rental sector through one of the most challenging times in our recent history. Many suggest that the true test will come when the furlough scheme comes to an end in October, however this will be the case for many sectors and so we can only analyse the data available to us now.

How is BTR positioned for the post COVID-19 world?

Long term effects on ways of living and working are yet to be determined. However, it is likely that people will be working from home more regularly and therefore offices should remain an important hub for business but should adapt for the scale at which they are used.

The demographic attracted to BTR is likely to want access into an office space even if they are visiting less regularly. This is due to the large proportion of BTR residents who lie within the younger age groups who are not ready to live in suburban locations. Access to amenity and social activities is likely to remain a core criteria, even if this means more restricted enjoyment of these facilities for periods of time.

The design and service provision of BTR developments have shown they are well placed to respond to changes in residents' needs. They are designed to be flexible and adaptable to suit changes in circumstances quickly. In many schemes the shared amenity spaces provide areas for home working, allowing residents to leave their private living space. Indeed, some operators already provide actual co-working areas for residents.

The presence of on-site staff means strategies can be implemented swiftly and safely. During the pandemic staff are able to reinforce the safety measures by providing hand sanitiser, wiping down door handles regularly and introducing one-way systems around each of the buildings.

Whilst we wait to see how the next few months pan out for the BTR sector, and the wider economic landscape, the future remains compelling for BTR investment and the evidence from the current situation is only helping to support the case.

> **"the UK's under-supply of housing has not changed and people living in rental accommodation has risen from 13% to 20% in the last 10 years"**

COVID-19 AND THE CREATION OF THE COUNTRY HOUSE BUBBLE

Prior to lockdown the ONS reported that UK average house prices increased by 2.1% over the year to March 2020 however, annual price growth ground to a halt with negative annual growth reported by Nationwide in June, for the first time since 2012.

"interest in country houses began to outpace other residential sectors"

Whilst the UK is now in recession for the first time in 11 years, this slump in the economy - the result of lockdown restrictions between April and June - has not been felt by all markets, quite the opposite in fact.

In recent years, the higher value country house market has encountered a number of obstacles, with a series of tax changes creating a relatively stagnant market; limiting the level of growth seen since 2015. The result of the general election in December gave the market some newfound confidence thanks to the 'Boris Bounce' however within three months of the year when COVID-19 arrived shortly after, this window of opportunity was quickly shortened. However, with COVID-19 arriving three months later, this window of opportunity was cut short.

In the midst of the global pandemic, as the UK went into lockdown, prices dropped across the UK markets. It was however at this moment, for the first time in many years, that interest in country houses began to outpace other residential sectors, seeing elevated levels of interest throughout this period despite economic uncertainty. This activity was fuelled by demand for outside space and the fact that buyers at this level are typically in a financial position to act more swiftly. Once the lockdown restrictions began to ease, activity levels rose quickly as confidence returned to the markets. Another for the 'escape to the country' mentality was due to the shift in daily routines: With most of the country working from home, the perception of a need to live within a commutable distance to the office had changed, with many envisaging an 'escape to the country'.

The lower end of the country house market has also seen increased levels of activity; with the presence of lifestyle buyers becoming increasingly prominent. The Stamp Duty holiday, announced on 8 July, raised the price threshold at which buyers start to pay stamp duty to £500,000 and has encouraged buyers who might otherwise have waited, to buy sooner. Similarly, whilst investors and second homebuyers will still have to pay the HRAD (Higher Rate for Additional Dwellings) the maximum saving of £15,000, could for some buyers reduce their stamp duty bill if purchasing a second home. Country and waterfront markets were relatively busy prior to the COVID-19 pandemic at this level and such incentives, along with changes to how people holiday, can only go further to increase levels of demand in already popular regional locations such as Cornwall and Dorset.

Whilst the top end of the country house market has received a much-needed boost, we are still clearly in an evolving and volatile market. Buyers are paying big prices for quality assets, which are scarce and thus can create competitive bidding; however, whether this can be sustained given the current economic climate is yet to be seen. Limited levels of growth over the past five years has left greater scope for future rises, however if a vaccine is found and a second wave is not felt then buyers may even return to the city, as they begin to feel safe once again. In this instance, if such lifestyle purchasers withdraw from the local markets, the levels of growth seen post lockdown may not be sustainable; with transactions returning to pre-COVID-19 levels.

Creativity in property management is key in difficult economic times

The outbreak of COVID-19 clearly took the business community by surprise, and it soon became clear that those who had robust business continuity and disaster recovery plans in place were going to be able to adapt to tough circumstances much quicker.

However, being prepared for a worst-case scenario is not enough – what matters is an organisation's ability to think on its feet and bring a creative approach to the table, while working under pressure. Allsop's Letting and Management team was instructed to manage Barings residential BTR assets, including The Keel in Liverpool, comprising 240 units. The handover process, which normally takes up to three months and involves considerable scoping, planning and transition, was condensed into just over one month because of the lockdown that started at the end of March.

Those who are familiar with the management of residential buildings know that it can be a challenging task in the most stable of times due to the multitude of stakeholders and requirements involved. However, the pandemic presented us with a whole new raft of considerations, including building a relationship with residents and employing a new property management team remotely.

We created a designated residents' portal in under a week, post lockdown, which allowed us to keep residents up to date with our activities and inform them about the measures taken to guarantee their safety and compliance with Government advice. This new channel has also enabled us to reach out to those shielding, should they need additional help from the management team.

Communication around new safety measures was just the first step in building a relationship with residents and earning their trust. Once the portal was up and running, we used it as a means to offer occupiers a variety of activities to keep them entertained and create a fully-functioning community at a time when many were struggling from isolation, uncertainty and boredom, often cut off from family, friends and colleagues. As part of our virtual engagement plan, we rolled out a programme which has grown to include online yoga and PT sessions, activities for pets, an online book club and even spoon painting.

“we created a designated residents’ portal in under a week”

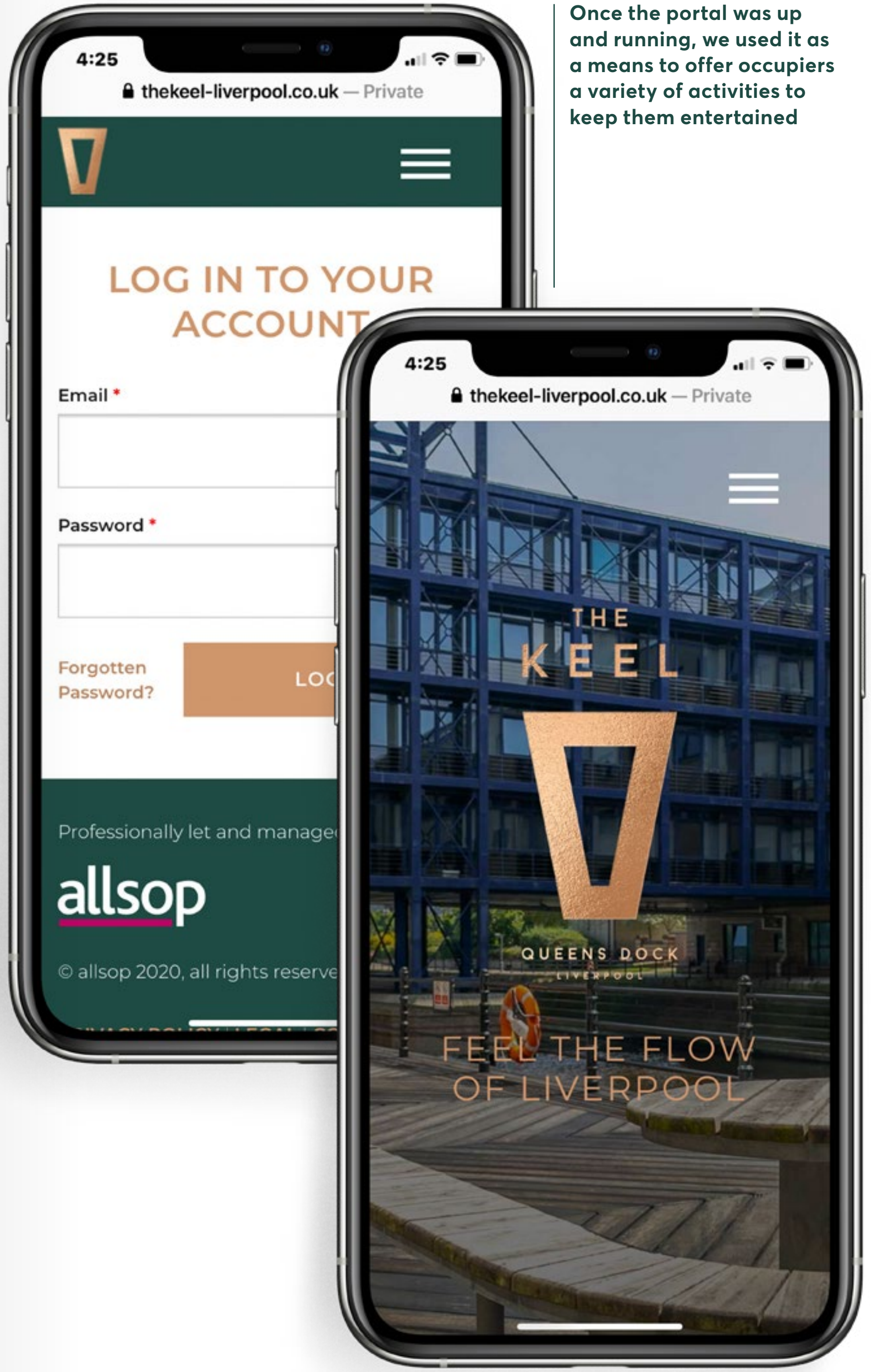
The next step was adapting the building to residents’ needs, which changed rapidly following the outbreak of the pandemic. Knowing that many of our residents would continue working remotely for at least a proportion of the week, we appointed an interior specialist to help us transform the foyer areas to create a bespoke lounge with co-working areas. As a result, we are creating a vital distinction between home and work for our residents, and a much-needed space for many after months of working from their dining tables. We’ve also installed a bespoke parcel locker system, allowing residents 24/7 self-serve parcel pickup and drop off with integrated notification of delivery confirmation.

The past six months have provided us with an opportunity to think about the ways we can optimise the operational aspects of the building. After assessing energy usage and costs of replacement bulbs, the cost benefit analysis showed that we could both lower the carbon footprint and generate significant long-term cost savings for our client Barings.

Throughout lockdown, we held regular meetings with our team via Zoom, creating a return to the office/site plan for the staff which ensured they could resume work in a safe environment, whilst trying to anticipate the future needs of the residents.

Another key focus for us has been helping The Keel remain front of mind amongst potential occupiers. To achieve that, we developed a new brand proposition, with a keen focus on customer service, a strong community and enhanced benefits of living in a waterside iconic development with 24/7 staff, state of the art gym, co-working space and resident breakout areas. We also furnished three new show apartments and commissioned new photography and video tours. Finally, we built a bespoke leasing site for virtual tours and remote lettings and, when permitted by government, resumed physical viewings with safety precautions in mind.

The health crisis is far from over, and no one knows when it will be, but we know our agile approach paying off when we receive words of gratitude from the residents and see our client’s bills shrink at a time when every penny matters.



Once the portal was up and running, we used it as a means to offer occupiers a variety of activities to keep them entertained

Mental Health within the Property Industry

Lockdown Podcasts

Has anyone else found a new interest in podcasts over lockdown? During the midst of it all, I looked forward to choosing a daily podcast (often one with a catchy title) to listen to on a walk. Did you know there are 30 million podcast episodes available to us – that's a lot of walking!

I soon found that I was drawn to podcasts that focused on mental health and life balance. Whether that be the science behind mental health, the personal stories people were willing to share or the strategies to help us look after our brains better.

One in four people will experience mental health problems of some kind in England and the number of people suffering from mental health issues is predicted to increase, particularly surrounding the extra challenges a pandemic has brought. An international study has revealed that 41% of the UK population's mental health is at risk because of the COVID-19 crisis.

Within the Property Industry

Whilst listening to these podcasts I contemplated how mental health is dealt with in our property sector and how we, as an industry, can improve mental health awareness for future generations working within the profession?

According to MHFA, mental health is responsible for 72 million working days lost and costs £34.9bn each year due to low productivity, absenteeism and employee turnover. And following 2020, it would be reasonable to assume that these figures will only increase. Consequently, investing in increasing the mental health awareness and support within companies is a win: win scenario for our brains and our profits!

LionHeart is a charity for RICS professionals and their families to help support mental health and well-being, providing free professional advice: *www.lionheart.org.uk.* The LionHeart charity states that 95% of people who have taken time off work due to workplace stress give a different reason to their boss. I found this quite a shocking statistic and one I personally believe every company within the industry should take responsibility to bring down.

The Estates Gazette is also setting a good example by publishing articles and interviews surrounding the topic of workplace wellbeing which are well worth a read. *www.egi.co.uk/mental-health.* In addition, Purplebricks founder Michael Bruce has recently launched a foundation called 'Agents Together' to help improve the public perception of estate agents and provide mental health coaches and volunteer mentors.

These examples of charities and discussion forums are undeniably great and provide a useful source of support for many. However, it generally relies on people going and looking for them. No doubt there are individuals who do not feel they need these services and will therefore not read about the support and techniques available. This is particularly true in what is often seen as an industry that is still lacking in diversity; the Mental Health Foundation's YouGov survey found that 28% of men who had had mental health problems had not sought medical help compared with 19% of women.

This is why it is important for each company within the industry to establish a set of mental health policies and training so that even if managers/colleagues are not suffering themselves, they are equipped with up to date tools and information they need to help others in their teams. Mental

"there is no shame in having a digital detox"

health is not a one method fits all approach and the signs/behavioural changes can be very minimal therefore professional training on how to deal and talk about these sensitive and personal issues is paramount.

Within Allsop

Allsop pride themselves on being a people company so it is important that our mental health is also looked after. Services that we offer our staff include:

- Access to the Employers Assistance Programme – an anonymous 24/7 support helpline
- Access to Bupa services allowing free counselling and support
- All Staff training courses which are run via LionHeart
- Manager training courses which are run via LionHeart
- Mentor scheme
- On site resources such as quiet rooms, break out areas and general encouragement of mindfulness activities such as yoga/gym and running in lunch breaks
- We are also aiming to set up mental health ambassadors within the firm

What can we all do better?

Work-place burnout is all too common, and with the current uncertainties and new challenges our minds are working in over-time. There is no shame in having a 'digital detox' or actually having a holiday without feeling guilty that you are not at the end of the phone.

In my office, we love to talk! And it's important that wellbeing and mental health is on the discussion board. This is key to normalising the topic and eradicating the uneasiness of talking about our struggles and weaknesses. Encourage a morning pilates session, or grab a coffee with a work colleague/team member and ask them how they are. If you feel able to, share your own experiences, it often encourages others to acknowledge what is happening to their mental health. These little things can make all the difference.

As we slowly open our doors again, board the trains and head back to our workplaces it will take time to adjust to reality. It is therefore important to understand what the property industry and more specifically your company has in place to support mental wellbeing.

Articles worth a read

42-of-british-population-at-risk

men-less-likely-seek-medical

#trending

if its happening, its here

We've stayed social; just a little more distanced! 2020 hasn't turned out quite as we had all planned, but don't for a minute think everything stopped. Well done to all the new parents, those promoted, the newly qualified and those that went the extra mile(s).

Congratulations

GROWING FAMILIES

Babies born – 3 Puppies – 3 Chickens – 1

Alfred Hutton – 12th June
Congratulations to Laura and Robert

Congratulations

Mabel Lebrun – 21st May
Congratulations to Annika and Luke

Noah Pointon – 16th Sept
Congratulations to Anna and Andy

Congratulations

Brandy – Cavalier King Charles Spaniel
Lucky owner: Alex Ward "She's cute but did make me spill coffee all over the wall this morning"

Arial – Rescue Greyhound
Lucky owner: Daniel Legge "She's so funny but she's really lazy and will only eat her freshly cooked M&S mince if it has cheese in it".

Mallie Chien – Boxer
Lucky owner: Lesley Roberts "She's already charmed the resi teams so will be a regular at Wigmore Street"

A Breakthrough in Lease Consultancy
The arbitrator: the first of John Banbury's home hatched chickens, broke through the shell during the daily video conference call so the whole Lease Consultancy team had to watch.

#trending

if its happening, its here

Congratulations

Allsop promotions:

Salaried Partner
Andrew Hoban

Associate
Holly Thomas
Liam Stray
Richard How

Senior Surveyor
Andrew Wise
Becky Swinburn
Ciaran McGivney
David Evans
Nick Troubridge
Owen Rees
Rebekah Donaldson
Victoria Barron

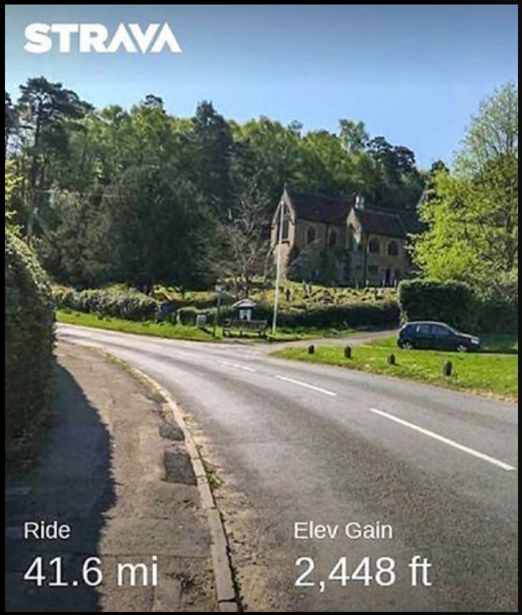
APC Success

Huge congratulations to Charlotte Hawthorne and Andrew Lister who passed their APC via Skype - could this be the new normal for grads? Fantastic achievement given the circumstances.

Sport

Lockdown mileage

Scattered across the country during lockdown the Commercial Valuations team kept each other fit by competing on Strava. Uploading photos and commenting on each other's activities, in April alone, they cycled, ran and walked 1,028 miles.



Charity

Our own super-mum

Tracy Barker-Chaplin, made the Maldon Standard this summer with news of the bookstall she and her children set up to keep neighbours entertained during lockdown whilst raising money for the NHS. Tracy also made 60 pairs of NHS scrubs with rainbow trade mark.

Maldon Standard

LandAid QuaranTEN Challenge

The Receivership team were challenged to walk, run, trot, canter or crawl 100 miles in a week for QuaranTEN. With varying degrees of athletic prowess the nine strong team managed 154 miles in total.

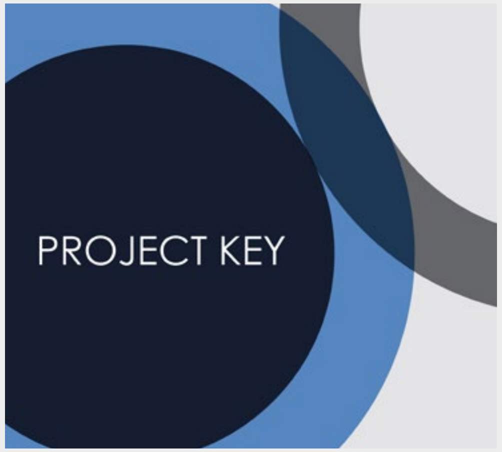
Well done to Scott Tyler who also ran 10 long miles and insists this is the 'after' photo. We couldn't possibly comment.

Commercial Deals

National Investment

Tesco Superstore, Sybron Way, Crowborough, TN6 3DZ
SOLD FOR £6.6M
5.62% NIY
Freehold foodstore investment extending to 27,411 sq ft on a total site area of 1.85 acres. 5.45 years unexpired to Tesco, subject to open market review in November 2020. Total passing rent of £395,416 per annum.
Supermarket

National Investment



Project Key, UK Wide
SOLD FOR £22.8M 5.6% NIY
Portfolio of six hotels let to Travelodge for a further 19 years with uncapped RPI linked reviews
Alternative

National Investment

300 Capability Green, Luton LU1
ACQUIRED FOR £62M 6.26% NIY
Premier Business Park Investment let to BAE Systems for c.10 years
Office Investment

National Investment

20 Chapel Street, Liverpool L3
ACQUIRED FOR £40M 6.30% NIY
Prime Grade A Office totalling 155,772 sq ft let to tenants including Liverpool FC, Ernst & Young, Barclays and Mason Owens
Office Investment

West End Investment/Auction

37 Berwick Street, Soho, London W1
SOLD FOR £3.75M / £1,628 per sq ft
Freehold retail, restaurant and office building totalling 2,303 sq ft. Part let, part vacant.
Investment opportunity

West End Investment

11 Adelphi Terrace, Strand, London WC2
ACQUIRED FOR £4.95M / £1,452 per sq ft
Freehold vacant office building totalling 3,408 sq ft, with separate surface car park for three cars.
Vacant refurbishment / redevelopment opportunity

Commercial Deals

Auction

220 West End Lane, Hampstead, NW6
SOLD FOR £2,015,000
4.2% NIY
Headmasters hair salon and three flats.

Auction

Kwik-Fit, Uckfield, TN22
SOLD FOR £315,000
4.60% NIY
Freehold tyre depot investment let to Kwik-Fit on a new 15 year lease (no breaks) subject to CPI linked reviews.
Tyre depot

Auction

Livingstone Shopping Centre, Taunton TA2
SOLD FOR £1.365M
5.94% NIY
Freehold multi-let shopping centre investment of four units and car park with redevelopment potential.
Shopping centre retail

Auction

650-656 High Road, London N17
SOLD FOR £7M **4.75% NIY**
Attractive freehold office investment let to Job Centre until 2028 (no breaks) with permitted development approval for 33 flats.
Office

Commercial Deals

City Office Leasing

Republic, East India Dock, E14
22,000 SQ FT LET on behalf of Trilogy & LaSalle Investment Managers to Anglia Ruskin University.

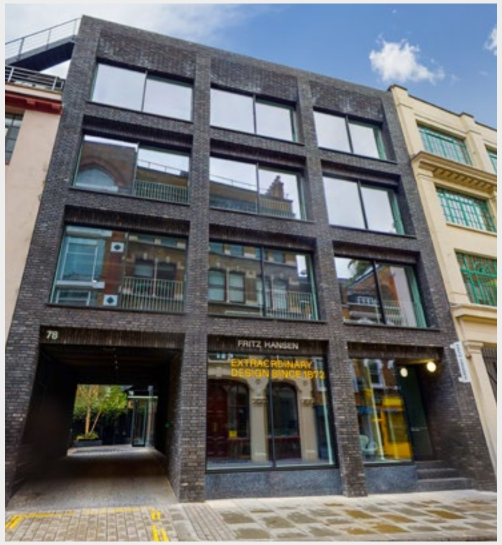
City Office Leasing

65 Carter Lane, EC4
2,000 SQ FT LET on behalf of The Property Trust Group to Innovent Leasing.

City Office Leasing

168 Shoreditch High Street, E1
6,000 SQ FT LET on behalf of Max Barney Estate to Matter of Form.

City Office Leasing



Link House, 78 Cowcross Street, EC1
2,000 SQ FT LET on behalf of DAO Group to Stantec.

West End Office Leasing

5 Wigmore Street, W1
4,000 SQ FT LET on behalf of Capreon at a rent equating to £90.00 per sq ft to Azure Hotel Group and Hambleton Capital.

West End Office Leasing

262 High Holborn, WC1
3,000 SQ FT LET on behalf of Lazari Development Holdings at a rent equating to £75.00 per sq ft to Elliot Group.

West End Office Leasing

20 Red Lion Street, WC1
2,000 SQ FT LET on behalf of Mayfair Capital to Switzerland Tourism.

West End Office Leasing

100 Wigmore Street, W1
2,000 SQ FT LET on of behalf Tellon Capital to Dukeminster.

Residential Deals

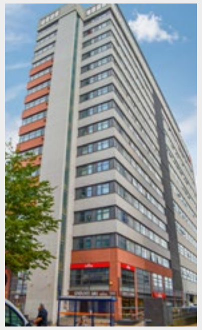
Residential Investment

Loughborough Court, Brixton, London, SE24 0QF
SOLD
Residential refurbishment and development opportunity.

Residential Investment

Sharrow View, Sheffield, S7
SOLD FOR £2.45M 5.78% GIY
Unbroken freehold comprising 20 x two bedroom self-contained flats.

Residential Investment



Project Caesar, Birmingham and Manchester
SOLD FOR £13.6M
Rare portfolio comprising 74 self-contained flats across four blocks.

Build to Rent

Brickfields, Hayes
Fronting the Grand Union Canal, Brickfields comprises a 278 unit BTR development with internal and external amenity. Planning was achieved in September 2020. We advised our developer client on the forward funding sale. Works are set to commence in Q2 2021 and currently under exclusivity.

Build to Rent

Manox, Manchester
A family housing led BTR development with 295 private and 115 affordable houses and apartments over 16 acres. Designated amenity hub at the heart of the scheme. We advised our developer client on the forward funding sale. Planning granted in September 2020 and currently under offer, works due to begin Q4 2020.

Residential Development

Flax Place, Richmond Hill, Leeds, LS9 8BP
Detailed planning permission for a development comprising 300 residential dwellings, located in a prime area of Leeds City Centre.
UNCONDITIONAL SALE FOR £4.3M

Residential Deals

Residential Auctions

Harrow
INVESTMENT - 16 studio apartments let on ASTs producing £182,100 per annum.
Sold after auction.
GUIDE PRICE £2.65M + 6.9% NIY

Residential Auctions

Brighton, East Sussex
INVESTMENT - freehold attractive stucco fronted mid terrace building.
SOLD £1.5M

Residential Auctions

Sevenoaks, Kent
INVESTMENT/VACANT - freehold Victorian house comprising four self contained flats.
SOLD £1,452,000

Residential Auctions

Chalfont St. Giles, Buckinghamshire
VACANT - freehold detached house.
SOLD £1,555,000

Residential Auctions

Monmouth, Gwent, Wales
VACANT - freehold Grade II* listed four storey imposing mansion house of 17th century origin.
SOLD £1,356,000

Residential Auctions

Wimbledon, London, SW19
VACANT - freehold semi-detached period building with planning.
SOLD £2M

Residential Auctions

Marylebone, London, W1H
INVESTMENT - freehold attractive Grade II listed mid terrace building.
SOLD £1,675,000

Residential Auctions

Wimbledon, London, SW19
VACANT - freehold detached building.
SOLD £1,230,000

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