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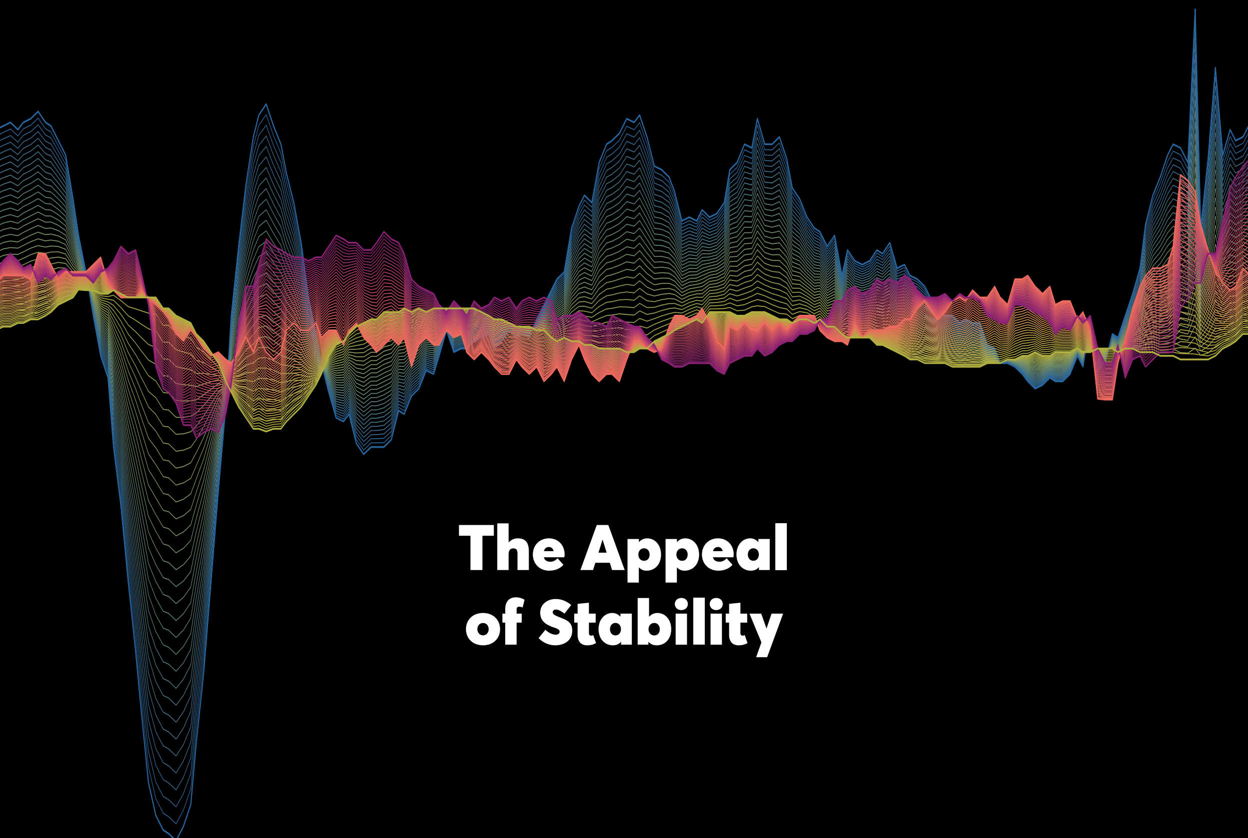
NEWS AND VIEWS FROM **ALLSOP**
AUTUMN/ WINTER 2022



The Appeal of Stability

Hello

As winter approaches, many of us are still scratching our heads in disbelief that we have had 3 Prime Ministers since the last edition of "ALL" in the summer. In the immediate aftermath of the disastrous 45 days of the Liz Truss Administration, of which all of us as "individuals" or in "business", whoever we are, still feel the effects of the radical policies outlined and then, on the whole, withdrawn, U-turned and changed. Some stability has engendered since Rishi Sunak took the reins and we await his and Jeremy Hunt's fiscal statement on the 17th November.

Sometimes stability is taken for granted – however, it is stability that has been engrained in the Allsop culture for over a century. Where the UK has had 5 Prime Ministers in 6 years, I am only the 6th Senior Partner in over 116 years at Allsop. A fact which I think says quite a lot about our stability and culture . So like a good comfort blanket this addition of "ALL", I hope in an unpredictable world on many fronts, gets heartily into the issues of the day and how we see possible solutions for the future.

For example, we look at, on the residential side, how tech and data are reshaping the Build to Rent experience. In Residential Auctions, how re-claiming empty houses is as important as building new ones and on the commercial side we look at how Oxford Street, once the retail powerhouse in W1, is being changed to office hubs. How improving your EPCs needn't be too scary and how in tackling your dilapidations early you can reap the rewards.

Again, a truly packed edition with all our news and views.

Enjoy the read!

Scott Tyler FRICS
Senior Partner

Contents

Stability in the Residential Rental Market

In the current uncertain macroeconomic environment, the steady growth and stability of the rental housing sector presents an appealing opportunity for both residents and investors.

The countless reports of cost-of-living crisis, skyrocketing energy bills and interest and inflation rates at record highs are all prompting households to question their property circumstances. Homeownership has traditionally been associated with security, both financial through historic house value appreciation and the certainty that comes with having a roof over one's head. Given the changing demands of today's population and economic challenges faced by the country, can we reconsider our attitudes towards housing and turn our attention to the security of rental accommodation instead?

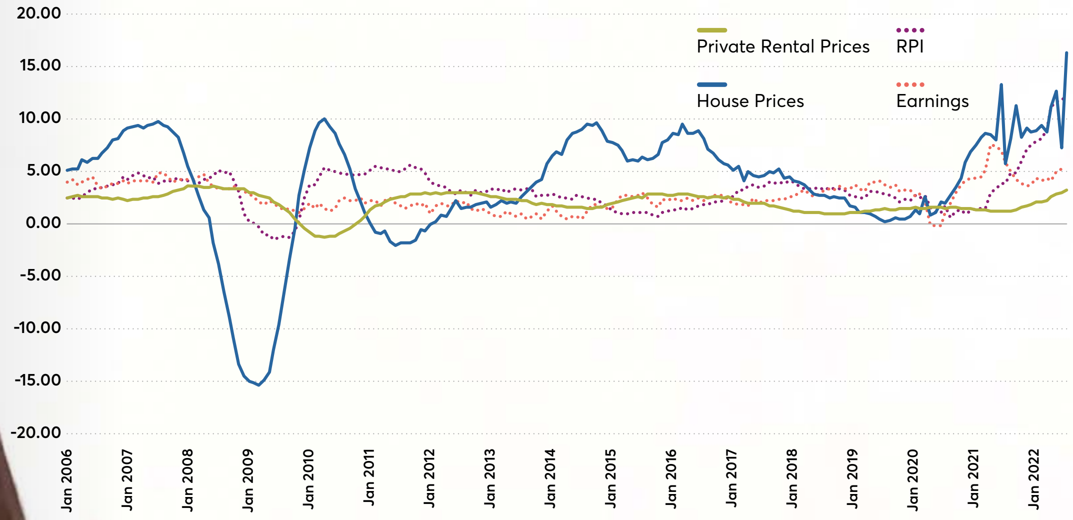
Homeownership

All UK regions have witnessed significant growth in house prices over the last two decades, which explains why residential property continues to appeal to would-be owner-occupiers. According to Land Registry data, an average UK property rose over 150% in value between August 2002 to August 2022.

Historically, the financial benefit to all homeowners during this period, at least in headline terms (not accounting for mortgage interest rates and property upkeep etc.) has been meaningful and helped to fuel the aspiration for homeownership. Under-supply, growth in households and widely available credit have also all pushed house prices above inflation since the 1990s.

Yet analysing trends in property prices on a yearly basis, what is evident is how significant global and local economic events correlate with house price volatility as demonstrated in the graph below. For example, the Global Financial Crisis can be seen in the trough in prices during 2008, the plateau in values as a result of Brexit, a dip witnessed when transactions came to a halt during Covid-19, and more recently the instability due to current global factors including the war in Ukraine, fuel prices, interest rates, etc.

Yearly % change of House Price Index versus Private Housing Rental Prices compared to wage growth & RPI (England, ONS, 2006 to 2022)



Rental performance

Trends in rental performance have been relatively consistent in comparison and notoriously stabilised over time, performing steadily through cyclical environments. The Office for National Statistics long-term rental growth tracker demonstrates that UK private rents had seen between c.1-3% annual growth in the previous 10 years. The average rental growth tipped over 3% in May this year.

During the pandemic, residents were physically unable to move or change property and therefore this pent-up demand has in many ways led to pent-up rental growth, as can be seen in the latest upward trajectory. Re-lets and renewals since 2021 have fuelled the most significant rise in rental growth, and at the same time it is likely that this period captures the UK's maturing BTR market, with rents shifting to a level which reflects the higher quality service and amenities on offer.

When considering rental growth alongside earnings and the Retail Price Index (RPI is a useful pricing indicator and includes housing cost), wages are closely aligned with RPI. This makes logical sense, as people's ability to pay more for accommodation over time must reflect their earnings. It is not possible to leverage against income to borrow rent in the same way as people can fund home purchases (more on this point to come…)

Recently, one of the UK's largest private landlords, Grainger, announced like-for-like rental growth of 4.5% in the 11 months to the end of August, its strongest rental growth seen in a decade. Grainger's commitment to realistic prices that its customers can afford has in turn resulted in high occupancy levels, with over 98% retention. Whilst Consumer Price Inflation (CPI) hit a 40-year high of 10.1% in October, Grainger notes that its rental growth has been in line with wage inflation, i.e., people's ability to pay. Data from Allsop Letting & Management reiterates this trend with an average of 5.9% year-on-year rental growth across its managed BTR portfolio, with average occupancy at 97.8% (October 2022). The continued shortage of supply and better-quality BTR product and service have helped drive this performance.

With average private rents surging nationally compared to pre-pandemic times, and levels of occupancy high with demand continuing to outstrip supply, the rental sector has proven its resilience.

Demographic trends

There are well-documented drivers increasing occupier demand for all segments of the UK residential sector. Namely, continued population and household growth - an estimated increase of 6.3% in UK households and one-person households increasing by 8.3% over the last 10 years - creates demand for more properties. At the same time, chronic under-supply of housing hampered further by elevated construction prices (according to some developers, build cost inflation this year has been 15%+, steel alone costs 70% more year-on-year, ONS, 2022) and inflationary consequences of the war in Ukraine will likely slow down the delivery of new residential units, especially in the short-term, fuelling the supply-demand imbalance further.

Whilst historically there had been exponential growth in capital values in most areas of the UK, recent fiscal events suggest that the market is likely to slow significantly. The latest Bank of England interest rate rise from 1.75% to 2.25% (at the time of writing this article) puts the Bank rate at its highest level for 14 years, and two-year fixed rate mortgages standing at more than 6% put pressure on borrowing; the previous Chancellor's September mini-budget had already resulted in 40% of mortgage products being withdrawn in the week that followed. On this trajectory, it is unlikely the latest announcement of stamp duty savings will improve the affordability of homeownership anytime soon.

"circa £2.5 billion invested into the BTR market in the first six months of 2022 alone"

The impact of the reassessment of housing choices following the pandemic live-work experience is increasingly apparent, propelling the attractiveness of renting, not just by financial necessity but through personal choice. The growing demand for flexibility in an increasingly mobile and individualised society, particularly in the younger cohorts of residents, can't be underestimated. When compared with owner-occupied housing, rental residential property does not require sizeable third-party financing or commitment to a long-term stay in a specific location, making such housing more appealing to the end-user.

Attractive rental returns

The share of rental residential transactions in the UK institutional sector has witnessed a major increase despite the pandemic uncertainty, with circa £2.5 billion invested into the BTR market in the first six months of 2022 alone, and over 15% of all property transactions involving residential rental accommodation compared to c.6% in the period 2012-2014 as a reference (UBS, 2022). As the institutional residential market evolves, it will likely expand from flatted city-centre blocks with amenities into other associated sectors. Single-family rental (suburban housing) supply is now estimated to be at 21,000 homes, an increase of 44% over the past 12 months alone (BPF, 2022).

All things considered, increasing occupier demand combined with moderate supply support a compelling rental growth story, especially against a backdrop of historic property market data where residential income has offered a stronger inflation hedge when compared with the commercial real estate market average. Investors have arrived and they are here to stay.

OXFORD STREET:
retail powerhouse to office hub

The latest in a long line of planning approvals was achieved over the summer when Westminster City Council granted permission to British Land & Norges Bank for their proposed office-led redevelopment of the West One Shopping Centre. Located above Bond Street Underground Station, this will provide 100,000 sq ft of new Grade A office space alongside a re-configured 40,000 sq ft of retail accommodation.

And so the remarkable repurposing of one of the world's most celebrated shopping thoroughfares continues, shifting from a retail haven into a dynamic hub for office occupiers.

This on-going transformation, so far, will result in over one million sq ft of new office space being created within a 500-yard stretch of Oxford Street. All the more surprising is that this quantum of space is being delivered within a short timeframe with expected completion over the next 2-3 years.

The largest of the schemes currently underway is Ramsbury's conversion of the former Debenhams department store, which is due to provide over 370,000 sq ft of office space from 2024.

In addition, John Lewis has obtained permission to turn up to 300,000 sq ft of its flagship store from retail to office space although as we write today it has yet to be confirmed how much of this will be implemented.

The other major repurposing on the stretch is the former House of Fraser department store, originally constructed in 1937, but now undergoing a comprehensive redevelopment. Alongside the conversion of its upper floors into office space, it is importantly aiming to provide high quality amenity for occupiers with a top floor restaurant benefitting from terrace space and exceptional 360 degree views of the West End, alongside a gym and swimming pool planned for the basement floors.

In many senses it is unsurprising that following a lengthy period of decline for the high street in general terms, accelerated by the pandemic, even one of the most high profile retail streets in the world would have to adapt. This has combined with what has proved to be an exceptionally resilient West End office market, which has become starved of new Grade A supply in core locations.

At present the availability of Grade A new supply in Mayfair sits at just over 1% of total available stock. This level of scarcity is resulting in unprecedented increases in rents being achieved in the submarket. In a market where occupier demand continues unabated for high quality, large floorplates in locations offering top

"the conversion of Oxford Street into a dynamic office location in its own right appears to be a perfect fit"

level amenity and transport connectivity, the conversion of Oxford Street into a dynamic office location in its own right appears to be a perfect fit – combining new repurposed buildings alongside the existing amenity and infrastructure is an effective solution to the market's supply problem.

So whilst there is demand, and more importantly potential supply to meet it, there are a number of key considerations which need to be assessed fully in order for this transformation to continue successfully.

At 458 Oxford Street, the on-going process of M&S's proposed redevelopment of their store has been well documented. The scheme, having been previously approved by the Mayor of London and Westminster City Council, has subsequently been "called in" for further consideration by central government. It has become a high-profile test case around the sustainability balance of retaining existing building structure vs the full life cycle operational efficiency of a new building. Everyone will be monitoring closely the outcome of the public enquiry into the scheme, and how this decision will affect new proposals moving forward.

But whilst the conversion of these grand retail buildings to offices has never been more in the spotlight, it is certainly not a new endeavour. Allsop's own HQ at 33 Wigmore Street was once the most architecturally impressive department store in the city.

Opened in 1850, under the Debenham & Freebody brand, it was an early example of how high quality office space can be provided in a building not specifically constructed for the purpose, whilst retaining some outstanding features of the era. Having undergone a recent refurbishment of reception and common areas, we were pleased to be involved in the recent letting of the vacant floors on behalf of our client (and landlord), Lazari Investments.

Sadly, unlike how the former House of Fraser is expected to, that refurbishment didn't stretch to a swimming pool in the basement (but never say never…). However, what's clear is that while Westminster City Council is engaged in its own efforts to reinvent and repurpose what it calls "the nation's favourite high street", the landlords and occupiers of its 1.2 miles are continuing to make their own strides to bring new life and footfall back to one of the world's most famous streets.

WHY LANDLORDS HAVE TURNED TO FLEXIBLE OFFICES TO BOOST VALUES

The way we use the office has changed – but the ways in which we value them haven't kept up.

Gone are the days of the 25-year lease amid the desire for flexibility in turbulent times. While some landlords might wish for the long-term certainty of a predictable rent cheque each month, the reality is tenants now have a strong negotiating hand and a landlord might experience voids.

Historically, value came from long leases with strong covenants. Today, in a market of shortening leases, high demand and limited voids demonstrate attractiveness of space.

Many tenants will happily pay a premium, often 10 to 15% or more, for hassle-fee occupation where they avoid high entry costs such as fit out and have clarity on expenses. Yet this won't suit all tenants, who may want to personalise their premises or manage their outgoings.

Landlords are therefore adapting, often implementing a hybrid option where some floorplates in a building are let on traditional leases while others are let as managed or co-working space – in essence,

Valuation methods have not kept pace with this innovation in the occupational model.

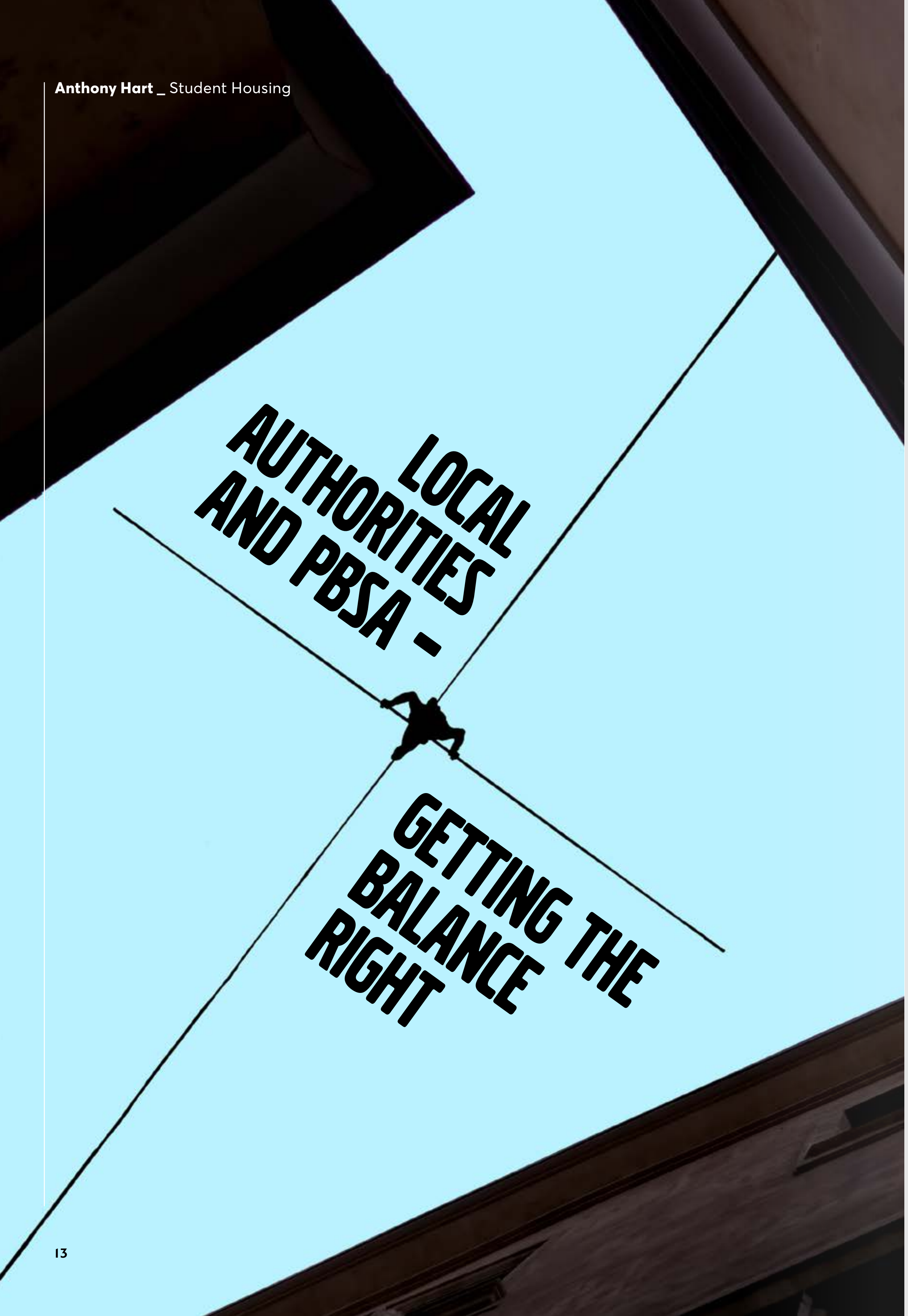
Joining the steady income of traditional leases is that of serviced offices and managed spaces, with shorter, more flexible terms as well as multiple revenue streams including business lounge passes, event spaces and even gym class memberships.

Therefore, a three-yearly review of accounts to determine value is unfit for purpose. If recent turmoil didn't make that clear, the number of changes in an office building's use and its income potential does. Valuation needs to be as hands-on as the landlord is in managing the space, potentially with monthly or quarterly account reviews.

And it will be worth it for landlords. Market evidence suggests buildings with hybrid models are achieving premium values. Flexible workplaces enable quick turnover between tenants, thus reducing rent-free periods and voids, especially long-term ones. And diversified income means the risk is spread.

Flexible occupation is here to stay, and investors are becoming increasingly more comfortable with it. Valuers need to become equally comfortable to ensure we accurately capture it.

> "buildings with hybrid models are achieving premium values"



LOCAL AUTHORITIES AND PBSA – GETTING THE BALANCE RIGHT

IN 2009, MANCHESTER CITY COUNCIL COMMISSIONED THE "MANCHESTER STUDENT STRATEGY" TO DEAL WITH THE PROVISION OF STUDENT ACCOMMODATION AND TO IDENTIFY OPPORTUNITIES FOR EFFECTIVE NEIGHBOURHOOD MANAGEMENT

At the time, there were fears of oversupply in the city, owing to the announcement that in 2010, student tuition fees would increase from £3,000 per year to £9,000 per year. Coming out the back of the global recession, purpose-built student accommodation (PBSA) was an emerging asset which was already becoming popular with investors and developers, favouring it over mainstream residential and commercial opportunities.

In response, Manchester developed a Core Strategy (adopted in 2012) with the objective of managing the supply of student accommodation throughout the city. In eight years to December 2020, the number of students in the city had increased dramatically and in a review of the policies implemented in 2012, it was deemed the tools for determining planning applications, whilst still effective, should be reconsidered in full.

Frustratingly, given the lack of dynamism in our planning frameworks, it is unlikely a new Local Plan will be adopted before the end of 2023.

Due to the acute shortage of student accommodation, first-year students in Manchester from the 2022 intake are being offered a one-off payment of £2,500 to find alternative accommodation (of which there is none available), or the option of a place to live in Preston or Liverpool with a rental contribution.

Stringent and outdated policies are now holding the city back, and the existing PBSA stock is older and therefore poorer in comparison to other regional cities. The risk of not securing a bed is putting students off Manchester – it is also comparatively expensive because the lack of supply is driving rents in both PBSA and the BtR/PRS sectors.

Flip to Sheffield and Liverpool and there is a very different dynamic. Here, the delivery of too many beds too quickly has suppressed investor confidence, put downward pressure on rents and created difficulties for the viability of new PBSA developments. Then there are towns such as Bolton, overlooked by investors because of its lower ranking university, where the erection of temporary portacabin accommodation is addressing the imbalance of supply/demand. In Nottingham, the authorities have granted enough planning consents to account for 11% of the total regional PBSA planning pipeline in the UK – 12,000 beds. Coventry suffers from poor market sentiment because it is deemed oversupplied, but it is more the case that it is oversupplied with the wrong type of accommodation – studios in Coventry are full for this year.

The only consistent approach towards the delivery and management of student accommodation amongst local authorities seems to be the implementation of Article 4 Directions to control the spread of student houses in multiple occupation (HMOs). This piece of policy allows local authorities to remove permitted development rights and stipulates a requirement for planning permission to turn a regular house into an HMO in designated areas. Every single local authority housing the top 50 universities in the country has implemented an Article 4.

So, traditional HMO accommodation is being squeezed, you cannot get planning for PBSA in Manchester, Nottingham is seemingly granting permission for every submission, Coventry has too much of the wrong type of accommodation, you cannot build in Bolton because it's not viable (despite demand) and Sheffield, like

Liverpool is taking the brunt of investor sentiment because too much was delivered too quickly (despite both being major UK student hubs).

The question has to be, what are local authorities seeking to achieve and what should local authorities be doing to address the clear need for more student accommodation?

In many ways, Manchester got it right; quick to consider the implications of the student population on the city and designing polices to mitigate oversupply, considering both suitability and local demographics. However, 2009 policy is not fit for 2022 demand.

To create a more sustainable student accommodation environment for all - students, landlords/investors, local authorities and existing residents – we need a more balanced approach:

1. Big shiny buildings look great and give the impression of a city prospering but it's a false economy. We need to start out by using a proper analysis of demand:

✓ **Total full-time student numbers less live at home students less HMO beds less existing PBSA = actual demand**

✗ **Total full-time student numbers less number of existing PBSA beds = demand**

Sheffield City Council's accommodation strategy (2014-2019) stated at the time of reporting there were 16,500 PBSA beds which would accommodate 28% of the current student population. This is completely the wrong way of assessing market demand. This might explain why the city finds itself in a position of oversupply.

2. How a building looks, and an appreciation of the current built and social environment is paramount to a local authority decision-making process, but there should be a third and just as important consideration which is the composition of accommodation. How many studios and how many cluster flats? This helps to ensure accommodation is fit for the demographic. So, in Coventry you might prioritise studios and in places like Bolton – ensuite (more affordable) accommodation. This would ensure the PBSA being delivered into a given market is appropriate for its needs.

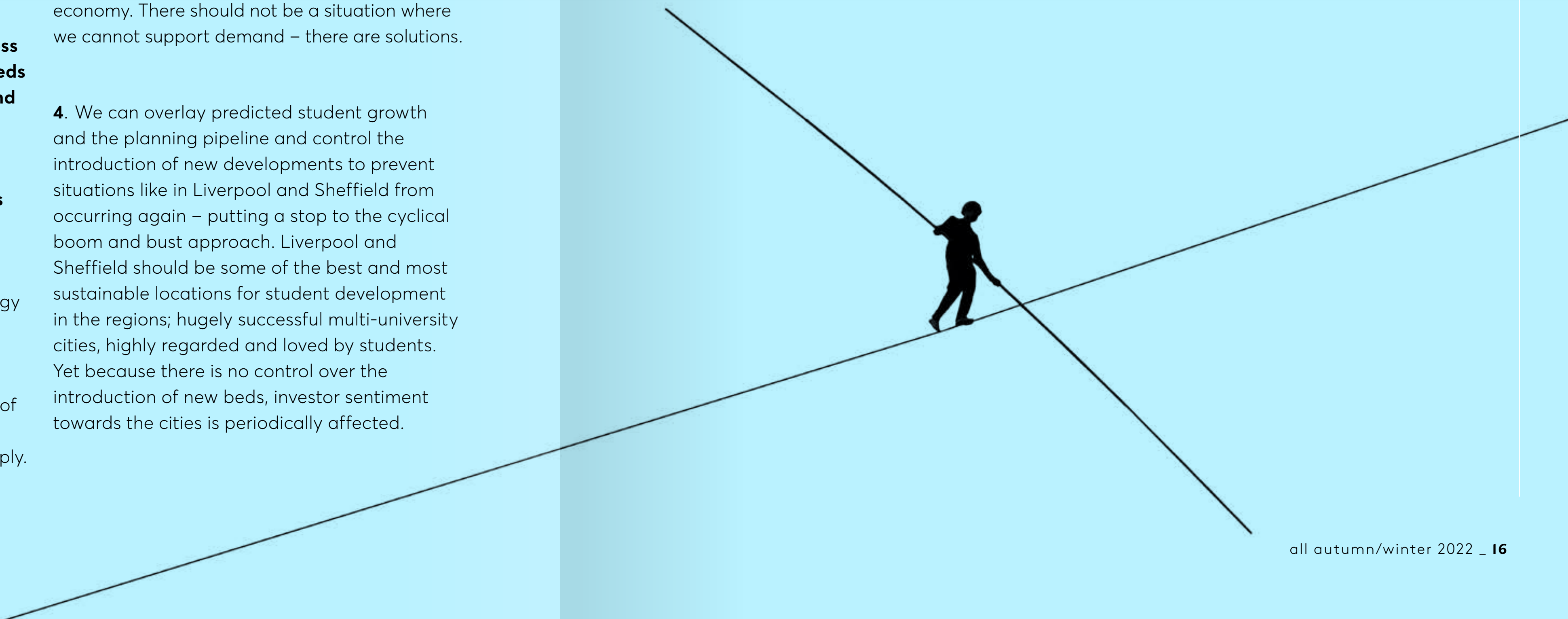
3. In locations like Bolton where there is a growing entrepreneurial university, a backbone to a small town, local authorities should look to invest (perhaps with their own pension funds) to support the development of new student accommodation. It is impossible for private investors to make a development appraisal work but a nomination/lease agreement with the local university would make a sustainable and all-round positive contribution to the local economy. There should not be a situation where we cannot support demand – there are solutions.

4. We can overlay predicted student growth and the planning pipeline and control the introduction of new developments to prevent situations like in Liverpool and Sheffield from occurring again – putting a stop to the cyclical boom and bust approach. Liverpool and Sheffield should be some of the best and most sustainable locations for student development in the regions; hugely successful multi-university cities, highly regarded and loved by students. Yet because there is no control over the introduction of new beds, investor sentiment towards the cities is periodically affected.

"we need a more balanced approach"

If we take the current situation in Nottingham as an example, where the planning pipeline is comparatively big, you might assume this will lead to an oversupply situation similar to Liverpool and Sheffield previously. Actually, the five-yearly student growth rate in Nottingham is 5%, a trend which is predicted to continue. That amounts to an additional 3,000+ students per annum, and the market is already in undersupply. Therefore, if the local authority were able to manage the delivery of the 12,000-bed pipeline, they could avoid periods of saturation and retain consistent inward investment. That would be in everyone's favour.

5. Demand for further accommodation can only be met by new PBSA as the HMO supply in every city is being squeezed by Article 4. Local authorities therefore need to be realistic about the policies they adopt to manage the delivery of new PBSA. If control mechanisms are overly onerous, these will create unhealthy city-wide economic issues. Equally, if policy is weak and city pipelines boom, this too creates economic issues in the form of deliverability/viability brought on by sentiment. Policies need to be flexible, allowing for changes in demand over time.



Receivers to the rescue

From Landlord Lenders Inc.

To Daniel Legge

Subject Buy-to-let portfolio on the brink

Dear Daniel,

Good to speak earlier.

As discussed, we have a borrower with a buy-to-let portfolio in Reading, who has recently been behind on their monthly payments and the account is in arrears. The borrower has stated that, due to the rise in inflation and energy bills, tenants are not making rent payments on time and some are failing to pay rent altogether. This has therefore impacted the borrower's ability to adhere to the mortgage obligations.

Furthermore, in light of the likely future rise in rates in the coming months, we are concerned about whether the borrower will be able to adhere to future monthly payments. And if that's not enough, one of our team recently visited to inspect a few of the properties, and it is clear that they are falling into disrepair and we have health and safety concerns. It is clear that the borrower is not managing the properties at all.

In light of the current market, we are considering our strategy and wanted to ask your professional opinion to determine best course of action. Your advice is, as ever, very gratefully received.

Mo Gage

Director at Landlord Lenders Inc

From	Daniel Legge
To	Receivership: all team
Subject	BTL lender in need of support

Hi all,

Please see below – a problem that I think we're all familiar with now, having been appointed so recently on similar buy-to-let portfolios in Liverpool and Bournemouth.

Clearly there are currently uncertainties in the market and reduced appetite amongst some investors / lenders. The good news for Landlord Lenders Inc (LLI) is that we continue to find demand from investors, with property companies and independent investors having an appetite for this sort of stock despite the cost of living crisis and current economic climate.

Considering next steps, let's recap on what we should do to assess the situation:

- **Firstly, we'll need to understand the tenancy position for each property and whether each tenant is paying their rent.** If LLI can secure tenancy documents from the borrower, that would be most helpful. Failing that, our team are well used to taking on new appointments with little-to-no information and are well versed at doing our due diligence on the ground. We would look to collect rent as soon as possible as this can be used to pay down costs of the receivership and any surplus would go towards the debt. Should any of the properties be vacant, we would look to immediately secure them and we would consider whether there is merit in re-letting the property prior to sale.
- **Secondly, we'll need to inspect the condition of the properties as soon as possible.** We will meet the tenants and understand the condition of the properties. Clearly, if the properties present significant health and safety concerns, we need to pick this up immediately in order to protect the asset and the lender's security.
- **Finally, we would look to determine the value and appropriate sale strategy.** We would value the properties on a portfolio and individual basis. It is likely that a sale of each asset individually would achieve a higher overall value, however this comes with a greater risk of not selling the less attractive assets as quickly as we would like to. Furthermore, subject to the level of debt, we may not need to sell the whole portfolio in order to recover the debt.

Meanwhile, let's crack on with our in depth local market research and select the best method of sale and agent to sell the properties. If we are able to redeem the debt in full via a sale now, we should do this so as not to put the lender's position in jeopardy. Should further asset management initiatives be required to repay the debt in full, such as re-letting vacant units, we will initiate these and constantly review the market and the saleability of the properties / portfolio until such time that we consider the debt will be redeemed via a sale. All options would be cash flowed to establish the best strategy going forward.

In light of the current economic circumstances, we will need to move quickly on this to mitigate against the ongoing market risk. We have tons of experience dealing with portfolios of this nature in an efficient and effective manner whilst achieving the best outcome – or encourage the borrower to redeem the loan via refinancing.

Here we go again!

INVESTORS ARE WAKING UP TO REGIONAL BROWN OFFICES

If you were to ask a random selection of people their favourite words, you'd get an equally random selection of answers. Ameliorate? Very possible. Aurora? I can see that happening. Epoch and ineffable? Both believable.

Some words that are almost certain not to come up as people's first thoughts – especially when brought together – are "regional", "brown" and "offices". No one writes poetry about regional brown offices.

On the face of it, regional brown offices as an investment sounds like a tough sell. Just ask Palace Capital, which announced a strategy to pivot to focus on them and then, two weeks later, seemingly backtracked.

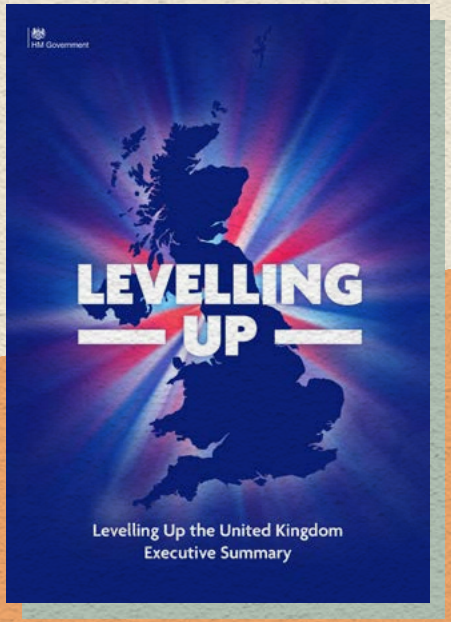
Yet the investment case is still sound. Palace has been a leader in this space, and although it may scale back its regional brown office ambitions, I'd be willing to bet it's not the last we've heard of the strategy – and that others may well be reconsidering their own approaches to the market. Here's why.

Why regional offices are so appealing right now

Let's look at where we are now.

By "regional brown offices", we're talking about workplaces with relatively low EPC ratings (such as D) in the UK's towns and city centres but not central London.

There's been relatively little competition in regional office capital markets of late although the likes of Grosvenor, Forma and, as we're increasingly finding, private Middle Eastern investors are among the big players in the space right now. Likewise, secondary assets in these places can be bought at a significant discount to pre-Covid levels.



EPC C
IN FIVE YEARS

EPC B
IN EIGHT YEARS

Regional offices will benefit from levelling up

Although levelling up remains an unresolved topic amid current political turmoil, it's unlikely to go away – championed as it is by some in both the Conservatives and Labour. As such, we can sooner or later expect to see increased infrastructure investment, including transport, and a greater effort to encourage young people from the UK's towns to seek a career closer to home, rather than continuing the so-called "brain drain" to London.

While there is yet no sign that the government has woken up to such a significant missing piece of the puzzle, it's clear that regional offices need investment to ensure levelling up is sustainable. Offices on their own won't be sufficient to convince talented professionals to stay in their hometowns but having excellent workspaces that attract would-be employees is an important part of maintaining growth.

Why some will sell – and others will swoop

However, at the moment, regional offices are seeing relatively poor rates of employees returning to the office after the pandemic. This is in part down to a higher proportion of secondary workspaces in the regions, with a lack thus far of investment bringing offices up to a standard on par with prime central London offices.

When you consider that the average office rent in somewhere like Sheffield is around £20-25 per sq ft, and compare it to the cost of improving the space which may be at least £120 per sq ft, it's clear that improving the spaces is out of reach for many existing regional office owners.

Meanwhile, with all non-domestic properties being let requiring a minimum EPC of C in less than five years and a B in less than eight, a significant number of regional offices will become stranded without investment and increasingly unlettable. In this environment, landlords that are unable to bring their properties up to scratch are likely to look to sell – which is where those with an opportunistic appetite can swoop.

This all adds up to make the business case for those, which have the investment expertise, the long-term outlook, and the desire to make an impact on ESG issues.

While Palace has been in the headlines for this, others are more quietly getting on and delivering effectively. One example, Commercial Estates Group, is buying lumpy offices in regional locations off low capital values, and then transforming them into best-in-class space with a mix of flexible workspace and traditional leases, alongside great amenities, all of which is bringing in record rents in the likes of Milton Keynes, Leeds, and Birmingham.

All in all, investing in regional brown offices? That sounds mellifluous to me.

> **"it's clear that regional offices need investment to ensure levelling up is sustainable"**

Tackle dilapidations early to reap the rewards at the end

Tenants are moving more often, with shorter leases or break options, which is great for tenant flexibility but which squeezes the return on investment to property owners. Meanwhile, with a flight to quality by occupiers, aimed at satisfying staff expectations and boosting productivity with a return to the central workplace, refurbishing space has become more important than ever.

And higher standards of workplace are necessary to meet both these tenant needs as well as investors' wider ESG commitments, all at a time when constructions cost are spiralling.

All of which means more pressures on developers to deliver. So, what can they do? Simple: you need to plan for the end from the start. A properly considered strategy on dilapidations could reap the rewards and ensure that refurbishing and improving your space after the lease terminates is a much easier expense for which to budget.

The opportunities within a well-considered dilapidations strategy based on market insights are increasingly clear. Allsop have found their dilapidations workload increase substantially as a result. The number of claims advised on by Allsop has gone up by 400% in the last five years.

While it's no panacea, and no one particularly wants to think about the humdrum of yielding up and tidying up when you've signed a shiny new deal, every landlord needs to consider dilapidations consequences right from the outset.

What exactly should they consider? These are our top tips to ensure you can get dilapidations right – and be in a much better position to pursue the improvements route once a tenant has decided to vacate.

Think strategically

Navigating dilapidations for a landlord is more complex than simply negotiating a claims schedule. Consider the tenant's objectives and yours, as this will help determine the most suitable strategy.

For example, if you're planning a major refurbishment as a means of future-proofing the letting of the building against EPC regulations – and your occupier knows it – they might try to delay discussions in the hope that the proposed dilapidations works end up being superseded by the more all-encompassing refurbishment works. The landlord may also feel pressure to simply forgo dilapidations simply to avoid delays to a renovation programme. Given the flight to quality, this pressure may be increasingly present as owners get more concerned about their building being left behind by the competition.

In these scenarios, it has become increasingly important to go beyond the traditional building surveying approach by incorporating specialist market knowledge to assess market trends and align with the bigger picture.

Take an example of a recent job in Moorgate EC2, a job which was negotiated from start to finish in just nine weeks. Acting for the landlord we argued a scope of works for a full strip out and reinstatement using market intel to justify our stance. The tenant was encouraged to settle for a no-strings, hassle free obligation to leave the floor in just a simple, clean and "broom–swept" state in return for a cash settlement; the tenant paid a healthy £27 per sq ft. With a Deed of Release in place our agency team were then at liberty to market the floor "as is" with quality fit out remaining in situ without repercussions.

Plan early, act early

The timing of the first contact with the occupier is a key factor. If you find yourself in a position in which your dialogue with the tenant is only shortly before the expiry or termination date the chances are they'll assume that you are not serious about the works in your dilapidations schedule and that you're simply trying to extract money.

Early action is imperative. It should hopefully bring about an early outcome of the claim. This in itself will free the landlord up to execute the works needed soon after the point of vacant possession at its own pace, i.e. free from unwanted interference from the tenant. And an early outcome can be mutually beneficial to the occupier too, in particular in de-risking their position where they have exercised a break option and want the security of knowing their dilapidations, once resolved, cannot compromise or invalidate any break option conditions.

"consider the tenant's objectives and yours, as this will help determine the most suitable strategy"

Planning the end means other benefits

If a landlord does indeed think strategically and plan early, it is much less likely that a claim will drift beyond the lease termination date. They will have a clear run to reduce holding costs that kick in the day after the lease ends and be more ready for refurbishment, which further means instant action for mitigating other costs can be set in motion, e.g. by initiating rateable value deletion processes to remove punitive empty rates holding costs.

A landlord settling dilapidations early will also have more time to establish the works required to make the returning space fit for purpose for the next occupier. This will give them the opportunity to meet the requirements from MEES and EPC regulations, further making it easier to re-let and shortening voids on future letting campaigns.

Planning ahead for dilapidations not only means that both property owner and occupier will spend much less time and effort on negotiations, but that the owner's initial planning will enable a much smoother refurbishment and reletting process. Furthermore, it addresses value erosion caused by obsolescence thereby making a positive financial impact on the return on investment.

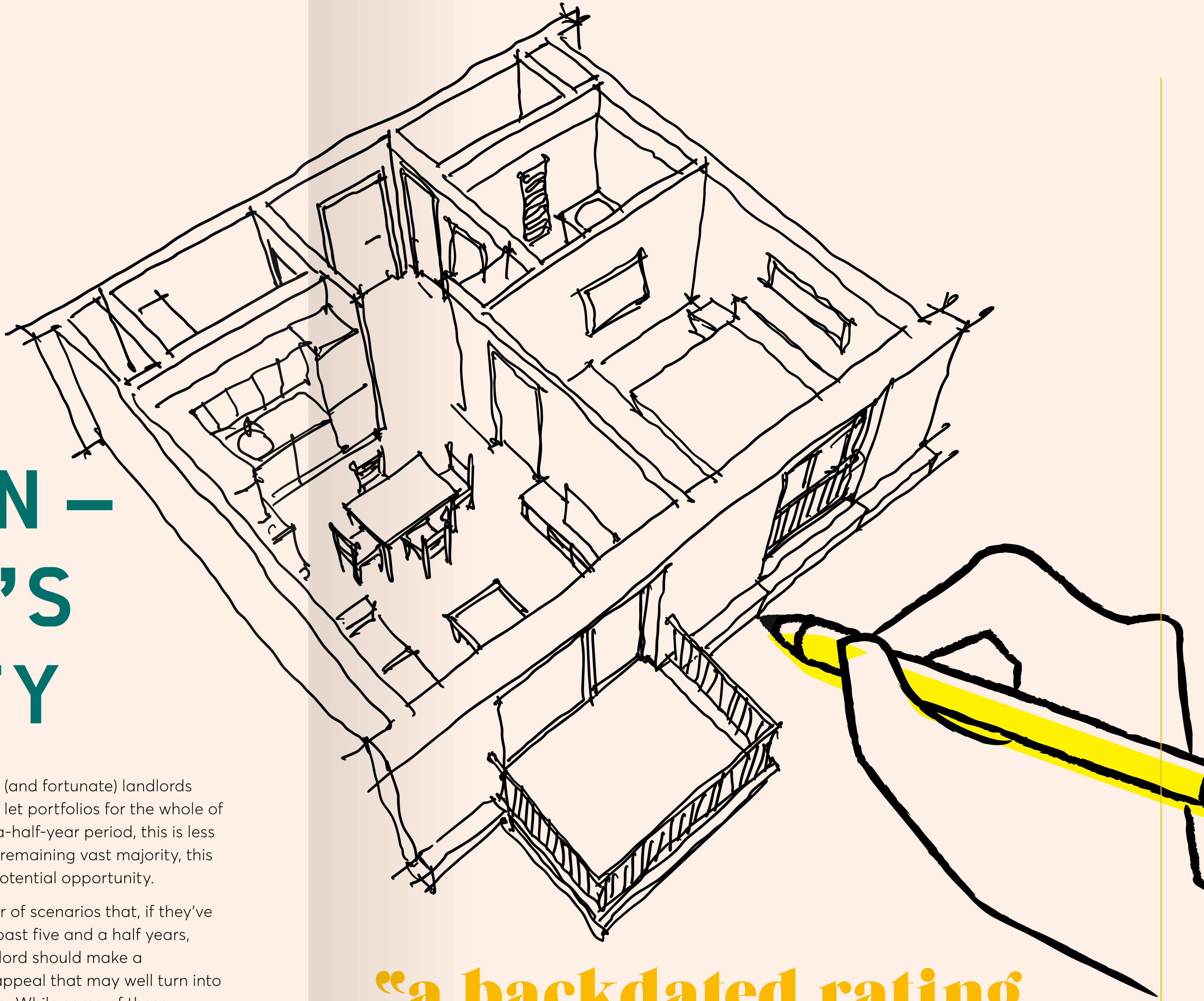
Planning for the end at the very start could then pay off big.

THE END OF THE 2017 RATING REVALUATION – A LANDLORD'S OPPORTUNITY

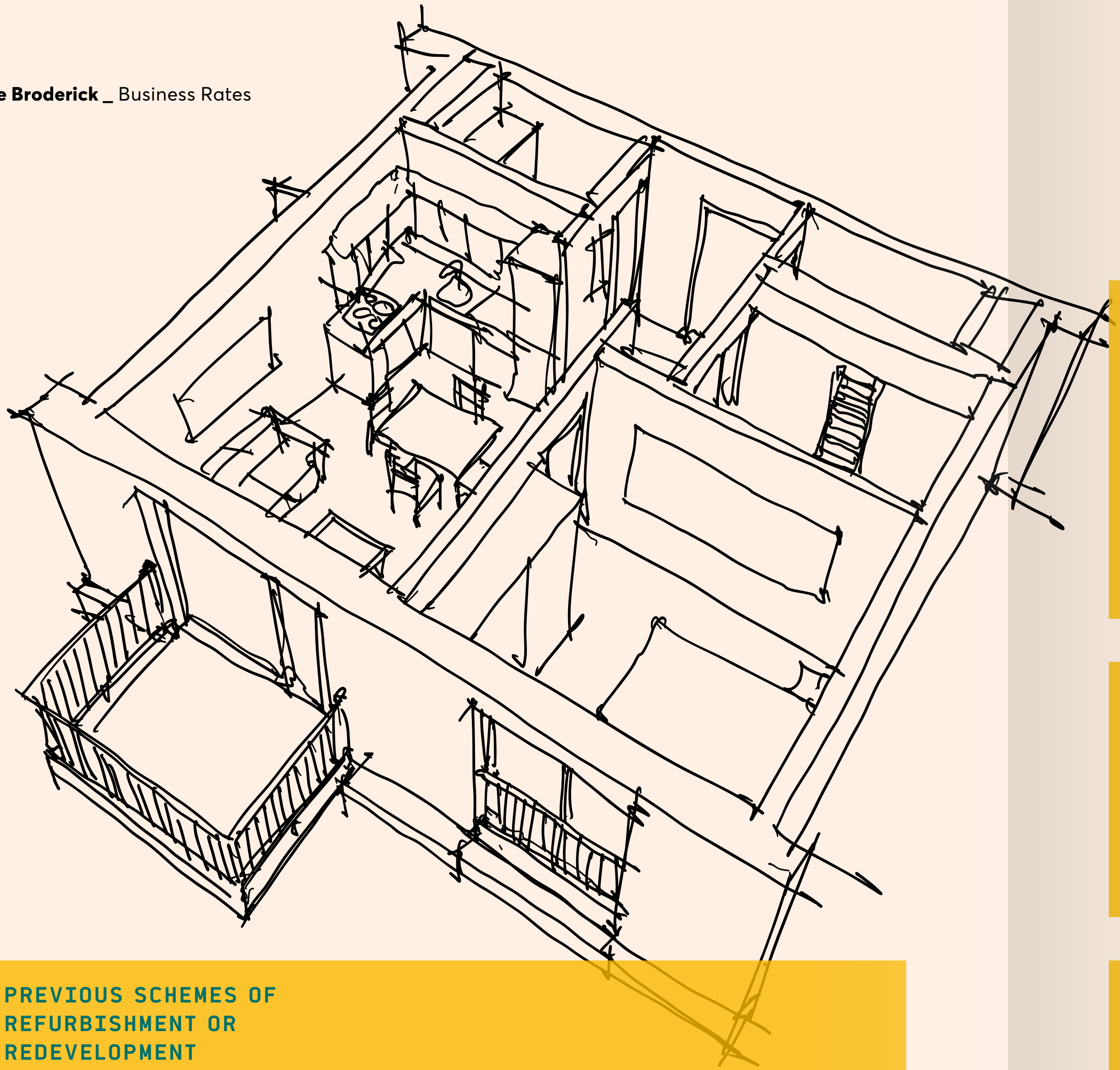
The period leading up to 31 March is usually busy in any given year. For 2023, however, the date that marks the end of the financial year also signifies the end of the 2017 rating revaluation. This means that all appeals against a property's rateable value must be made by this date if a landlord is to claim backdated savings and, potentially, reduce their rates for the next period.

For those very rare (and fortunate) landlords that have had fully let portfolios for the whole of the past five-and-a-half-year period, this is less important. For the remaining vast majority, this deadline offers a potential opportunity.

There are a number of scenarios that, if they've occurred over the past five and a half years, could mean a landlord should make a backdated rating appeal that may well turn into a backdated saving. While some of these scenarios, including asbestos and squatters, are not time sensitive, others are and the end of the revaluation therefore provides an ideal backdrop against which to consider whether you could secure backdated savings.



"a backdated rating appeal that may well turn into a backdated saving"



1. PREVIOUS SCHEMES OF REFURBISHMENT OR REDEVELOPMENT

If any scheme of refurbishment or redevelopment works have occurred across your portfolio, there is an opportunity to lodge an appeal seeking a backdated deletion. In short, a property needs to be capable of being beneficially occupied for a given use (e.g. an office) to be liable for rates. So, if you stripped out a floor of an office building to shell and core, you would be unlikely to be able to offer it as an occupiable office – as it is in fact a building site at the time.

Therefore a backdated deletion could provide a large refund opportunity, as the rates that were paid during that period of redevelopment could be claimed back.

For any historic works, you could seek a backdated deletion from the date of strip-out until the date that the works completed – and potentially even later by delaying the re-entry of the new assessment into the rating list.

The important point here is that this scheme of works could have happened at any point from 1 April 2017 onwards.

2. WORKS THAT INVOLVED THE REMOVAL OF ASBESTOS

This is not technically a time limited appeal; however, it does largely go hand-in-hand with the redevelopment guidance given above. Historically, we have found that a lot of office-to-residential permitted development (PD) schemes experienced large amounts of asbestos to strip out as part of their scheme of redevelopment.

This is an example of using rating case law to approach the Local Authority directly (rather than the Valuation Office Agency) to seek an exemption for the period of removal – provided that there is enough evidence of asbestos to support any claim.

3. ANY PERIOD OF SQUATTING

Live-in security and property guardians can protect landlords from the headache that is having a squatted building. However, if a landlord ends up in the unfortunate position of dealing with squatters, a potential silver-lining here is that there may be grounds to recover the rates liability relating to their period of occupation. As with the previous point on asbestos, this too is an issue that would involve a reliance on case law and conversing directly with the Local Authority.

4. VACANT FLOORS – CURRENTLY VACANT, AND LONG-TERM VACANCY

Another opportunity for landlords to potentially secure a rates reduction is where they have paid or are currently paying rates on vacant space whilst seeking a new occupier.

Current vacant space could benefit from a programme of rates mitigation. This is when the floor is physically occupied for a minimum of 42 days before being vacated and therefore triggering either three or six-month periods of empty rates relief (depending on the type of building). This can then be repeated ad infinitum.

A review should also be undertaken as to whether there is any potential for a reduction in the rateable value of a building. This could mean challenging the areas, the pricing of the floors or any other aspects of the building to reduce the 2017 Rateable Value. A saving that is achieved through this mechanism will benefit the client with savings potentially backdated to April 2017, and it could also have a positive knock-on effect to the rateable value in the 2023 list.

Reclaiming empty homes is as important as building new ones

The UK is in the grips of a housing shortage and, though the government has pledged to tackle the crisis by building 300,000 new homes a year, it has repeatedly fallen short of its target. Housebuilders are under pressure to produce more and more new homes, but most are battling supply chain disruptions, rising build costs, and labour shortages – a triple threat that led 360 smaller developers to go bust last year according to Price Bailey.

“more than a moral scourge, empty homes can be the bane of a neighbourhood”

Meanwhile, across the country, there are approximately 600,000 homes standing empty, with an estimated 240,000 – or 40% – having been empty for over six months. Given the nation’s chronic need for housing, these empty homes are a serious waste of limited resources.

More than a moral scourge, empty homes can be the bane of a neighbourhood, negatively affecting the look, and thus pricing, of an area and attracting antisocial behaviour. Compulsory purchase orders (CPOs) – a legal procedure by which local authorities can demand that property owners sell their interests, if they obstruct any development that benefits the greater public good – are sometimes an option for tackling the problem of empty homes, though the process is complex and rarely used by councils, which are already pressed for time, funds and manpower.

Which means that not only do we have the need to bring more homes into use, we have the want from both communities and the government. So, what can be done to bring this stockpile of ready-made housing to the market more effectively?

The government seems to have accidentally come close to the solution while trying to deal with a separate issue. Whilst the recent introduction of compulsory rental auctions has been widely criticised for missing the mark as a solution on why high street retail is struggling, the policy does hint at an approach that might make bringing empty homes back into use easier: incentivising property owners to consider the wider benefits of the community.

With both the likes of high street retail and the nation’s empty homes, the issue isn’t the landlord’s unwillingness – far from it. In the former, it’s often the burden of business rates amid troubles in physical retail; in the latter, it’s often a lack of resources and know-how to make the most of their assets.

That is to say, the landlord is very rarely to blame. Instead, it’s frequently a mix of lack of awareness of the options available, inadequate support to access them, and financial and regulatory barriers that prevent even those with the best intentions from making progress.

Many owners of empty homes have inherited properties they can’t afford to modernise, or have bought them many years previously and don’t have the funds to maintain them. These dilapidated homes struggle to sell or find tenants, and owners are left with empty properties. This problem is only set to become worse as buy-to-let landlords struggle to improve the EPC ratings of their assets in-line with incoming regulations.

In some of these instances, auction sales might be part of the solution. Disposing of surplus houses by way of auction provides a seller with certainty and a legally binding contract within a short timeframe, even if the property isn’t maintained to a high standard. We typically experience significant demand for these types of assets among professional investors (and those inspired by Homes Under The Hammer!).

Another move that once again has parallels to the high street would be to simplify the CPO process. As per think tank Radix’s proposals for rejuvenating our town centres, backed by the likes of the British Property Federation and High Streets Task Force, increasing councils’ powers for CPO usage can improve the outcome for communities. Currently, the use of CPOs is largely limited to instances where retained property interests obstruct big infrastructure projects, such as HS2, or large-scale regeneration schemes; rarely do empty homes fall under this umbrella. And while CPOs have to be carefully considered, and there are plenty of good reasons a property owner may have an empty home, there is an argument for more community-led approaches in last resort situations.

If we educate property owners on the options available, including auctions, and shift the focus to community empowerment, we would surely see many more empty homes back in use.

James Neville _ City Leasing and Development

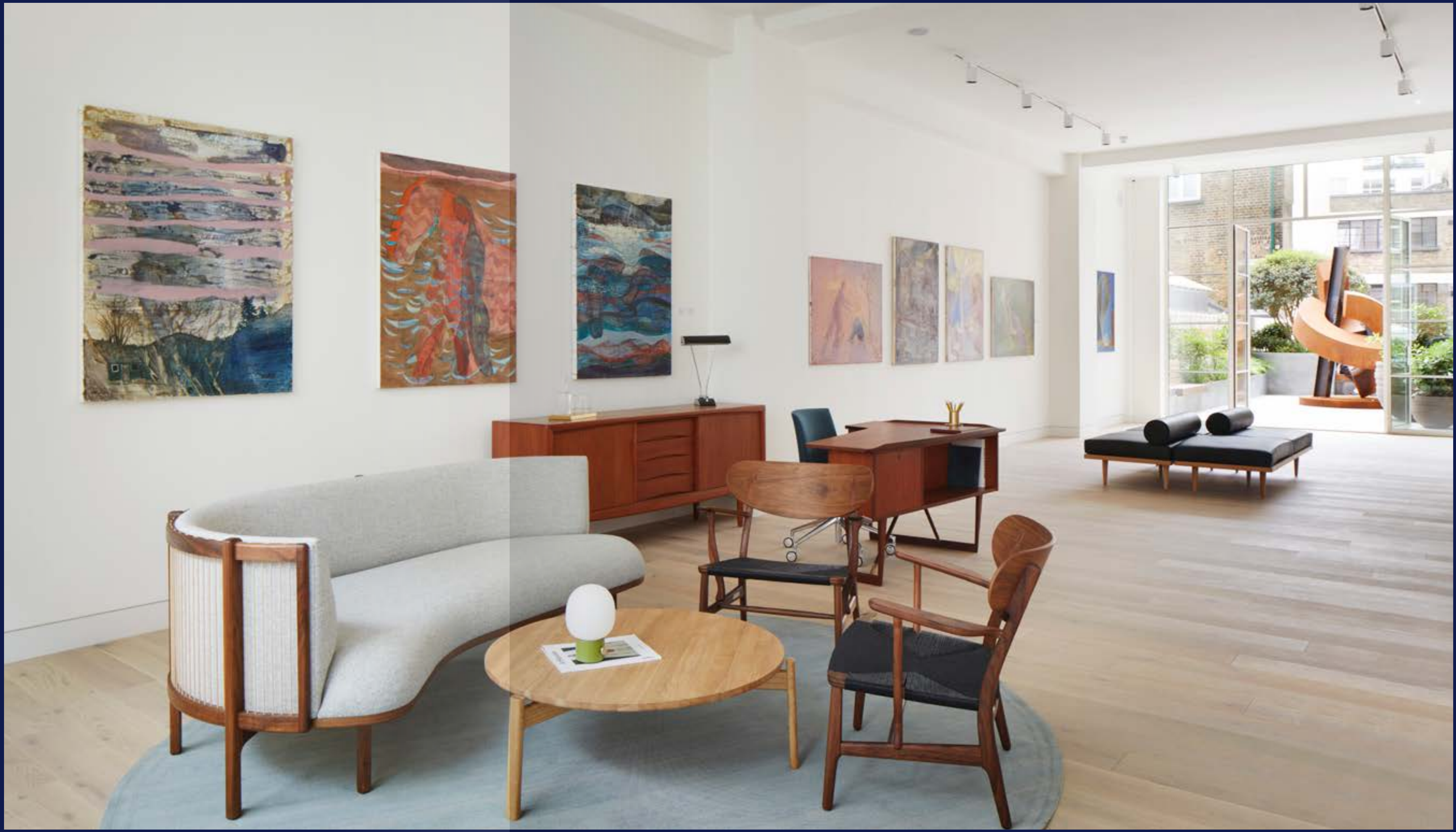
Best-in-class is the smart investment amid the *cost-of-living*

When potential occupiers walked through the doors of The Bindery, a newly refurbished Grade A office building in Farringdon developed by Dorrington, there are a few things that may have initially caught their eye.

It may have been that the reception area doubles up as an art gallery. Or perhaps what first drew their gaze were the huge windows on to Hatton Garden, bringing in significant natural light, or the attention to detail that shows in every inch of the building, from the European oak floorboards that are soft and more comfortable underfoot, to the mural along the staircase painted by local London artist Carlos Peñalver.

I'm using the past tense because, whatever it was that they noticed first, they clearly liked it. Within two and a half months of practical completion, we had let the entire 26,000 sq ft building. And they liked it enough that, on certain floors, we achieved record rent levels for the Farringdon office sub-market.

Despite the cost-of-living crisis, and its parallel cost-of-doing-business crisis, occupiers' principal consideration often continues to be the "flight to quality". Developers that continue to invest into their spaces, including the smallest details that enhance the occupier's experience, will continue to bring in the most attractive returns.



The Bindery, Farringdon, EC1

Bridge House, London Bridge, SE1

This isn't an easy ask. According to Deloitte's London Office Crane Survey, in Q1 2022, construction costs were named by 100% of landlords surveyed as one of the top three challenges to development today. That was followed by the cost of meeting ESG requirements, named by 50% of respondents, and geopolitical concerns (43%).

And no wonder: according to Arcadis' International Construction Costs report in 2022, London is the most expensive city in the world in which to build, recording double digit cost increases since the previous index. Deloitte's construction cost survey suggests that a small majority of the capital's developers believe price rises will be permanent.

Yet all signs point to a premium continuing to be placed on the flight to quality, a phrase that's taken on a life of its own since the impact of the pandemic on employees' working patterns and businesses' drive to bring people back to the office.

"the driving force behind their success is what they offer the customer"

Look at Dorrington's The Bindery in Farringdon and GMS' Bridge House, near London Bridge in Southwark, for exemplars on how to do this. Both assets have approximately 26,000 sq ft of lettable office space; both assets are in attractive although not super-prime office markets; both assets are existing buildings refurbished to the highest standards.

And the results? All seven floors of The Bindery were leased – on leases of up to 15 years, compared to the Farringdon average of three years for units of this size – within two and a half months of practical completion and just over three months since we even began marketing. Meanwhile, across the river at Bridge House in Southwark, 90% of the building floors have been let just 4 months post PC.

While we can very quickly identify one thing in common between developments (yes, we are available for your leasing requirements), the driving force behind their success is what they offer the customer.

The Bindery is designed around its end-users' wellbeing. The artistic murals on the staircase are designed to encourage people to climb the stairs rather than take the lift. It also has a rooftop garden designed by Chelsea Flower Show success story, Andy Sturgeon | Leading Garden Designer & Landscape Architect. Or Bridge House, which features underfloor air conditioning, biophilic design incorporating nature and mindful conditions, as well as a stunning roof terrace overlooking the city.

Yet are these features, along with those other design qualities that make a modern Grade A office tick, really worth it for the developer?

Yes. Undoubtedly. Using The Bindery again as an example, build costs were around £350 per sq ft. With Farringdon rents averaging late £80's per sq ft on the upper floors and with rents on some of the higher floors hovering around the £100 per sq ft mark, there's little question as to the impact that the quality of the space has on rental negotiations.

While developers and investors might baulk at some of the upfront costs of creating spaces on par with the likes of The Bindery and Bridge House, they should hold their nerve. Dorrington and GMS, respectively, have proven themselves strategic developers, focusing on creating brilliant places, and in return demonstrating their savvy investment expertise over the long-term. Their focus on attention to detail in the space is what set their buildings apart in sub-markets already reasonably well serviced with Grade A stock and a pipeline of more.

Many will be considering longer term holds of their assets due to the economic circumstances. If they make the initial investment upfront, they may find that when the market returns to being a seller's opportunity, their original concern about construction costs may have turned into a reluctance to let go of that rental income.

IS SCALE NOW THE KEY TO CRACKING THE BUY-TO-LET MARKET?

Although some portfolio and smaller buy-to-let investors have been disposing of their residential assets in a piecemeal fashion, there has recently been a new wave of corporate and institutional players keen to invest in the sector.

Despite some economic headwinds, there remains a healthy appetite for residential assets with investors looking for long-term growth and attracted by capital appreciation and rising rents. The squeeze on household finances combined with increasing interest rates driving up borrowing costs is making home ownership more challenging, boosting demand in the private rental sector.

Furthermore, owning a property is not suitable for everyone and the private rental sector is playing an increasingly important role in fulfilling their accommodation needs. The long-term trend will favour much larger scale ownership with providers offering high-quality accommodation for private rent. Backing this transition are investors who are in it for the long haul for at least 20 or more years and are unperturbed by short-term challenges.

Why are people selling – and what kind of stock is it?

Driving sellers has been a combination of onerous tax changes, forthcoming tightening energy performance legislation and, in the case of family-owned properties, a wide range of succession issues.

Private buy-to-let property owners have been hit by no longer being allowed to directly offset borrowing costs against rental income and 3% extra stamp duty. Adding to their woes is the future cost of upgrade and modernisation of existing properties under proposed legislation, requiring an EPC rating of at least a C for all newly rented property in 2025. An ageing private landlord demographic and a wish to avoid management hassles is also taking its toll.

But now the greatest pressure will be increased borrowing costs, which will force many landlords to sell up.

Many private family portfolios are being sold due to later generations not having the appetite to continue running the business, not helped in some cases by too many stakeholders involved, and other complexities. As a result, we have seen many family offices disposing of entire portfolios. Some flat and house portfolios for sale have been nationwide, from London to the regions of England and Wales, ranging in size from £5m to £50m.

Amid the sales, certain trends are clear. Among these include "buy-back" schemes to turn homes into affordable or social housing. One of our recent examples is a major portfolio in Basildon, which we sold for £10m to a local authority pension fund. The portfolio was let to local authority tenants, so via the pension fund it effectively became new council housing. Meanwhile, there are instances such as that of the Merlin Portfolio, on behalf of a private family office, which was of mixed tenancy types located in rental hotspots across London and the South East and sold to an investment fund for £50m. Another portfolio trend we're seeing and which is likely to increase will be unsold developer stock, examples of which we've handled across Greater London and the South East.

Who is buying and why?

Of course, the increased borrowing costs we're experiencing right now that are forcing some to sell could in turn make it a very good time for others to buy, with yields almost certainly having to soften.

On the demand side, investors are aiming for scale to reduce operating costs by reaching a critical mass in the size of their portfolio. On their ideal shopping list are freehold unbroken blocks and houses, located in close proximity to one another to enable efficient management. They are also looking for good yields or a discount on

“investors are aiming for scale to reduce operating costs by reaching a critical mass in the size of their portfolio”

the vacant possession valuation (VPV) or, depending on location, a combination of both.

Who are these investors active in the market? Specialist Real Estate Investment Trusts (REITs), local authorities, and large property companies, as well as some family offices.

In the case of local authorities, attracting them to the sector is an urgent need to replace council housing stock sold off under the right to buy legislation. And then, for others, it is a buoyant private rental market. Demand is far exceeding supply with strong returns while rental income from short-hold tenancies can be raised thus reducing the impact of inflation. In addition, thanks to some of these diverse locations, the ability to sell off piecemeal into the owner occupier market in the future adds another layer of security to the investment.

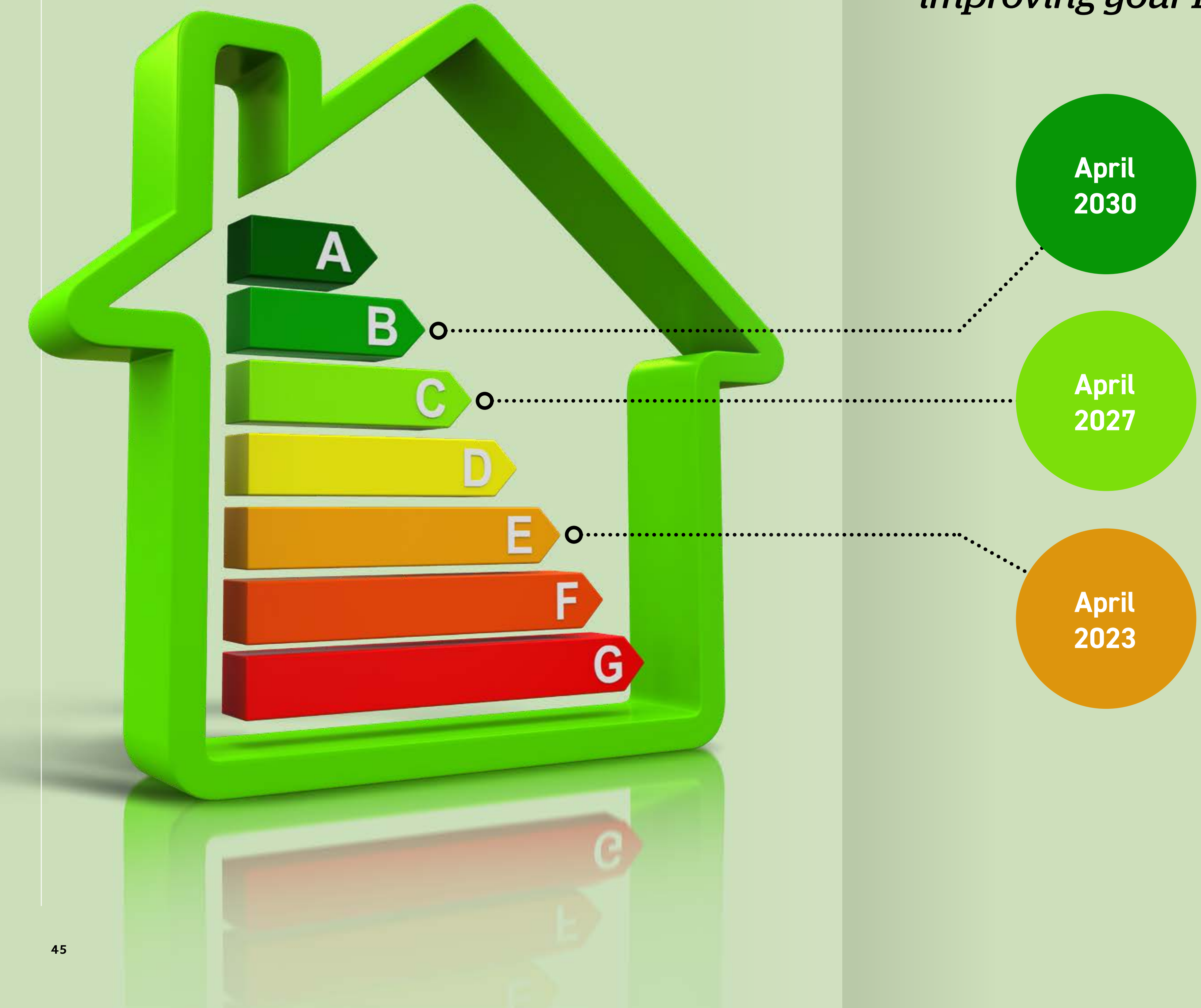
More recently is the increase in foreign buyers deploying cash to secure property, with such investors benefitting from the weakening pound.

What next for the sector?

More private landlords will sell off their portfolios for many years to come. Some of the individual assets will be absorbed piecemeal into the owner occupier market once or if vacant possession can be obtained.

But in the short term thanks to interest rate rises, inevitably some investors will be seeking better returns and will be redeploying their capital in the north where capital values are lower and yields are higher. Those investors sitting on cash will be tempted by greater potential returns in the south where a significant discount to the vacant possession value will be the main lure because of much lower yields and higher capital values but better long term future growth prospects.

In the short term a softening of yields is inevitable, but long term residential investment should hold up better than other sectors and remain very investable as rental growth and demand far outstrips supply in many areas. Scale will be the key to success.



The roadmap is clear – *improving your EPC needn't be scary*

Over the last decade, EPCs have evolved from being something to dig out of a dusty filing cabinet at point of sale to being an essential part of the movement to manage our energy use, from your own home to the local Amazon warehouse and indeed nearly every lot we sell at auction.

In that decade, the private investor has bought around 4,000 commercial properties from Allsop's auctions and a further 10,000 residential assets. Whilst many will have been inspected and surveyed by their new owners, some will have never even been seen. Up until recently, buyers' approaches to EPC standards neatly fell into one of the two buckets – either a cross-your-fingers-and-hope-for-the-best or a shrug of a shoulder.

What was a minor irritation for many of the purchasers of those 14,000 assets over the past decade has become a looming monster in the closet. The Minimum Energy Efficiency Standards (MEES), known as the basis for the EPC, have grown teeth, and from 1 April 2023 investors will not be able to receive rent or sell their asset unless the EPC rating is an E or better (the scale running from G at the lower end to A at the most efficient level).

But the monster is not as scary as some might think, and is, in fact, easily tamed.

Investors should be able to reach the basic E grade, and higher, in good time. And, importantly, without vast expense if a few basic rules are applied.

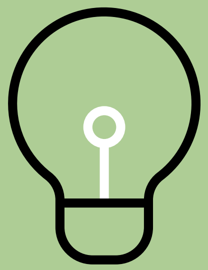
When we advise clients on the issue, we provide them with five simple steps to improve the EPC rating. Having developed these with the help of Martin Zambrano from Luis and Bell Surveyors, whom we recently spoke to as part of Allsop's Propchat podcast, we're now able to share them with the lucky readers of ALL.

Improving your EPC in five easy steps

Before we kick off, one overriding fact to bear in mind is that the assessment looks at the plant and structure of the site, not energy expenditure as that will depend on occupation and use.

The other piece of advice before you begin is to check the status of your current EPC. If it's old, it may have been done remotely on the basis of wild assumptions, so a new assessment should be sought to clarify the position.

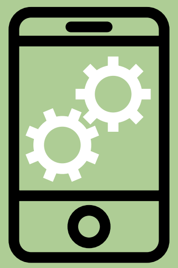
1



LIGHTING

Efficient lighting has been the norm for many years, however, if a building is on the end of a long lease this may not be the case and is easily remedied.

2



CONTROL SYSTEMS

From basic analogue style local thermostats to smart systems like Hive, these will help control energy use and subsequently improve the rating.

3

HOT WATER

In smaller properties, a point of use system can be much more efficient than a conventional cylinder where hot water use can be minimal and the heating wasteful.

4

INSULATION

This seems obvious but investment in simple and in some cases, inexpensive products which can be hidden in roof and ceiling voids can have a huge impact on the rating.

5

KNOW YOUR BUILDING

Some landlords might never have seen their building and have no record of its structure. As a result, they are unable to provide the assessor with the necessary starting point to make an informed decision rather than take a more conservative view based on the worst-case scenario. So, learn as much as you can about your building and make sure the assessor has as much information as possible.

"the concept of MEES is here to stay"

Whilst some of our ever-eager auction buyers rarely take heed from anyone but their lawyers, they could usefully add a good energy assessor to their network. The point of sale will be dealt with by the vendor, but the long-term potential may well be impacted by a poor understanding of the energy needs of the investment.

The concept of MEES is here to stay and is governed by a clear code, with appropriate exemptions. By April 2030 the requirement is for a B, with incremental steps in the "compliance windows", the first of which is a C by April 2027. We have a clear idea of where we're going and the satnav is working, so it's time to crack on.

Related Content

You can also listen to our podcast "EPCs – Five easy wins to achieve the E"

How tech and data are reshaping the BTR experience

Over the past decade, new technologies have been reshaping industries such as banking and retail, offering speed and convenience to the end-user. In the world of property, the Build to Rent (BTR) sector is often seen as leading the way in adopting new technologies to meet the ever-evolving needs of occupiers, as well as investors and operators.

The development and nurturing of communities has been one of the top priorities for BTR, which sets it apart from the rest of the private rented sector. More frequent use of technology to automate-day-to-day tasks has helped many to free up their time, resulting in more time being dedicated to community curation and bonding activities, whilst also ensuring tenants' basic needs are met.

Virtual events and classes

Some technologies became popular during the pandemic, but fast forward 12 months and they're still actively used by residents. A good example of such technologies are virtual workout classes, streamed directly to people's apartments. These were originally introduced during the first lockdown as access to gyms was temporarily suspended or restricted. Virtual classes allowed people to maintain their fitness routines and reduce the anxiety associated with communal spaces.

Post-pandemic, the same technology allows more people to participate in workout classes or events regardless of any spatial limitations whilst also providing tenants with an opportunity to enjoy privacy as they work out.

Real-time feedback

Technology is also playing a key role in ensuring our buildings evolve and remain relevant throughout their lifespan. Property management software and the data it provides can give management key insights into the behaviours and the ever-changing requirements of their residents to ensure a high level of resident satisfaction and in turn, a stronger retention rate.

With the help of property management software, we can track maintenance issues to help us identify recurring issues and take preventative measures to avoid or minimise future problems, along with ensuring issues are addressed quickly. Tracking things like event attendance helps ensure all demographics are catered for, and residents remain engaged in events.

We can issue surveys to our residents through the building app to obtain valuable insights into their behaviours, requirements and satisfaction levels. The data received from these surveys

"virtual classes allowed people to maintain their fitness routines"

allow management teams to tailor the way in which services are provided and delivered.

The benefits of tracking amenity and common area usage data are twofold; firstly, controlling energy distribution across a building to ensure that power, lighting, and heating are only used when necessary, can have significant environmental and cost saving benefits. Secondly, tracking amenity usage data can also ensure that all tenant demographics present within any given building are suitably catered for. Where there is a significant decline in usage, it's important to understand the underlying reasons to make a decision on whether an upgrade or change of use for the space may be necessary.

Smart home tech

Smart home technology or "home automation", part of the IoT, is becoming increasingly popular among BTR operators, thanks to the abundance of relatively low-cost solutions coming to market. They can significantly enhance the resident experience, along with simplifying and automating tasks to perfectly suit each resident's needs.

Certain smart home technologies such as Smart TV's, thermostats, lighting, appliances, cameras, plugs, and monitors are becoming more popular amongst tech savvy residents. The ability to integrate these devices with virtual assistants such as Amazon's Alexa creates a world of possibilities through voice activation or pre-set timed automation. When voice-activated virtual assistants are linked with the building app, they can provide a number of useful updates for residents and answer questions about deliveries and events in the building.

Dual smart home management, whereby the tenant directly controls smart devices within the home, whilst property management teams can remotely monitor and resolve time-sensitive maintenance issues before problems arise or escalate has also been making waves in the market.

Smart locks are another good example of home tech – in addition to instilling a sense of security in residents, they enable property managers to arrange self-guided tours of properties for prospective tenants, which in turn helps manage carbon footprint and reduce any impact on resource from no-show appointments.

Over the past 20 years, technology has overhauled the way the rental market operates, and when selected and implemented properly, it can bring multiple benefits to the end-user as well as operator, leading to increased customer satisfaction levels. As further integration, along with artificial intelligence and self-learning algorithms becomes a bigger part of such technologies in the coming years, the end product brought to market in the BTR space will continue to shine.

What you need to know about the Ground Rent Act 2022

The Leasehold Reform (Ground Rent) Act 2022 came into force in England and Wales on 30 June 2022. It rids future homeowners of annual costs known as ground rent. Sometimes costing hundreds, or even thousands, of pounds a year, these charges deliver no clear service and, particularly in more modern developments, can be set to escalate regularly and rapidly, representing a significant financial burden for leaseholders.

£0.00

"for new builds, ground rents on new leases have been abolished"

Now, anyone buying a home on a new, long lease will not be charged ground rent. For retirement properties, the law will come into effect no earlier than 1 April 2023.

So, the Ground Rent Act coming into force is the first legal step taken by the government in its drive to make home ownership fairer and more secure.

Background to the Ground Rent Act

The government has been building up to the Ground Rent Act for some time. In 2017, it released the housing white paper, "Fixing our broken housing market". This was followed by the release of a document, "Tackling unfair practices in the leasehold market," which looked at a range of measures to tackle unfair and unreasonable abuses of leasehold, in particular the use of onerous ground rents.

Then, on 7 January 2021, the government announced in the future they would make it easier and cheaper for leaseholders to extend their leasehold. This included empowering leaseholders to extend their leases to 990 years at zero ground rent; making changes to the valuation criteria to make it fairer, cheaper and more transparent to extend a lease using an online calculator; and removing marriage value from the calculation.

What the Act means in practice

In practice, the new law means ground rent on most new leases in England and Wales cannot be anything more than one peppercorn per year – i.e., no money can be legally charged or paid. Those found to be charging more than a peppercorn face a fine of between £500 and £30,000.

Landlords are no longer able to set ground rents – other than a peppercorn – on new, qualifying residential long-leasehold properties (long-leasehold properties are classed as flats and houses with lease terms exceeding 21 years).

For new builds, ground rents on new leases have been abolished, meaning developers can no longer set onerous or escalating ground rent review patterns. This also applies to new shared-ownership leases, though a rent can still be set in respect of the landlord's share.

Interestingly, the Ground Rent Act also applies to properties on the Crown Estate; until now, the Crown Estate was not obliged to set peppercorn ground rents in a statutory lease extension claim.

Importantly (and perhaps indicative of questionable practices uncovered by the government's investigations into ground rent charges), the Act bans freeholders from charging administration fees for collecting a peppercorn rent.

Are there any exemptions?

Yes, there are a few exemptions from the Ground Rent Act: business leases, certain financial products, and applicable community-led housing. Statutory lease extensions for houses and flats are also exempt because ground rents in these cases are already set to a peppercorn when the lease is extended.

It is also important to note that the Act cannot be applied retrospectively to any existing leases – only if action is taken to extend or vary a lease can ground rent be reduced to a peppercorn.

Moreover, whilst the Act applies to voluntary lease extensions, only the extended portion of the lease is reduced to a peppercorn. Indeed, landlords are allowed to charge a ground rent not exceeding the rent that would have been payable under the previous lease, up until the expiry of the original term.

What to do now

Freeholders must ensure ground rent on new leases are set to nil.

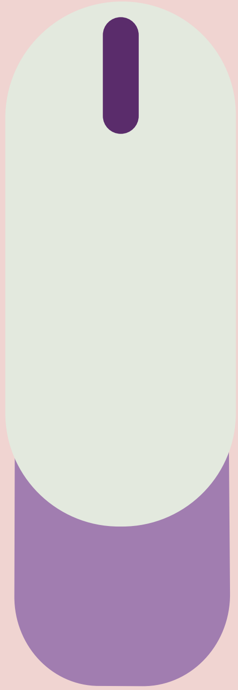
Anyone preparing to sign a new lease on a home must check with their solicitor that their ground rent charges reflect this change.

Nasif Miah _ Apprentice

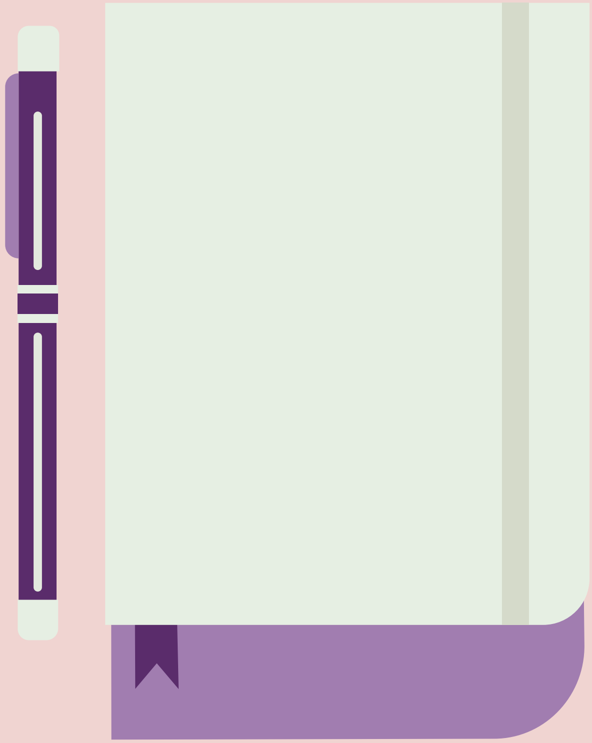
HOME V OFFICE WORKING

A POST COVID PERSPECTIVE FROM AN APPRENTICE

Being a school leaver, that first moment of stepping into the full-time working world was very intimidating. Like many of my peers who entered the workforce during the same time period, I experienced uncertainty on the possible communication barriers I could face during and between lockdowns, particularly the ability to meet my peers in person with wider working from home practices still the norm. It made me question how I might settle in, whether it would affect my development and how I would build relationships with my new colleagues – the people with whom I'd be spending the next five years of my apprenticeship!



Nasif Miah _ Apprentice



Fortunately, lockdown restrictions were eased, and my team were quickly back in the office when I started. Looking back, it has made me realise how influential being in the office has been on my development as an employee, student, and individual.

The first thing on my mind when I joined was settling in and becoming comfortable with my peers. It was a reality check moving from sixth form to work, no longer being the big fish in a small pond. It felt like someone had pressed a restart button. In reality, this really wasn't the case!

I was very surprised as to how quickly I settled in, and a big part of that was just seeing faces, meeting new people, and engaging with different personalities. It made me realise what the culture of Allsop is all about. As everyone is different and we are all unique individuals, it made it easier for me to feel comfortable. I'm not just an apprentice, I'm also a colleague and a peer too. It was also highly beneficial being in the office with other apprentices, building relationships with similar individuals whom I can see becoming lifelong friends.

Reflecting on settling in, I noticed I was welcomed with open arms when people across the firm came over and introduced themselves, especially having previous apprentices and grads taking me in and letting me know that they are there to help, whether it's with work, university, or anything else for that matter. To put it into perspective, I think the most beneficial thing for an apprentice is just to have the exposure to meeting different people, joining conversations, seeing new faces, and generally understanding the culture of the business they are joining.

Had it not been for working in the office daily, I wouldn't have the relationships with the apprentices, grads, and even partners that I have today. Having worked from home occasionally, it feels like a barrier to progress for individuals like me at the beginning of a steep learning curve. There is a definite disconnect in communication having to work from Teams calls, without the opportunity to constantly ask questions and absorb the knowledge of colleagues working around me.

Especially as an apprentice, you seem to find yourself working on multiple projects with different people in the team, and so automatically the communication is harder, productivity is affected, and you feel isolated working from home. Above all I think it takes away from getting into a routine and that separation of work mode and rest mode. However, now that I have gained experience within the team, if I am asked to work from home, I do feel a sense of trust in me and I no longer worry that I'll hesitate to work independently or need greater support. I think there is a perfect balance with being expected to come into the office, but also knowing that Allsop is flexible if I ever need to work remotely.

My conclusion as an apprentice working from the office is that it is more than just getting your work done, it's about building relationships, having conversations, and developing the skills learned from your peers. I think having people who can support you in your day-to-day role really makes a difference to understanding what it's like to be a full-time worker, giving you a greater opportunity to embed yourself within the culture of the firm.

"it's about building relationships, having conversations, and developing the skills learned from your peers"

#trending

if it's happening, it's here

With our offices full to brimming and buzzing once again, we continue to enjoy a healthy work-life balance.

Congratulations


Rose and Thomas Benyon


Will and Rachael Greasley

Weddings

Congratulations to Rose and Thomas Benyon and Will and Rachael Greasley on their marriages this summer and to Steve Lydon in our City office who is engaged.

Congratulations to James Proctor on the birth of his daughter Georgia in August.

nara

The Association of Property and Fixed Charge Receivers

Liddell joins NARA Council

Congratulations to Allsop Receiver, Victoria Liddell, who was asked to sit on the receivers governing body, NARA, where she will be part of regulatory discussions.

Ever expanding Leeds office welcomes nine new residential & commercial recruits

Charity

NEVER TOO YOUNG
for bowel cancer

City Team crowned netball champs

Allsop City team beat reigning champs Residential Valuations in the final of the annual Sophia Sanghi mixed netball tournament. We raised £1,500 for the Never Too Young/Bowel Cancer UK campaign.

Marathon runners

Congratulations to Victoria Liddell and Gordon Dunne from our Receivership Team and Liam Rees in Residential Valuations who not only ran the London Marathon on Sunday 2nd October with excellent times but also turned up for work on Monday 3rd. Never Too Young/Bowel Cancer UK and Leukaemia UK were the benefitting charities.

Social

National Investment team get loud at their away day

Scott Tyler and Jeremy Hodgson joint winners of Loudest Shirt competition.

Office plants adopted and named by every team

The challenge is on to see who can keep their adopted plant alive for longest.

Allsop staff summer party

Amazing views from The South Bank for those tearing themselves away from the dance floor. Winner of Best Dancing Shoes went to Jules Noblett from our Leeds office.

Sharing their experience

Graduates take centre stage to share their experience so far with everyone at Allsop.

Graduates enjoy seaside break

Our hardworking graduates enjoy a day out in Brighton.

Sports

Iron Man

Super-fit Build to Rent partner, Andy Pointon, participated in the unbelievably tough Ironman event in Cork this summer.
In 26 degree heat he completed a 3.8km swim, a 180km bike ride and a marathon. He finished 117th out of 1200 starters. Legend.

Allsop Leeds team go wild

The Allsop Leeds team on 9 mile walk in Nidderdale in June.

Allsop apprentices take a break and head for the track

Allsop win Prideview Cup

Enjoyable season despite losing our 3-year unbeaten record. Highlights: Winners of the star-studded Prideview Cricket Tournament in 40 degree heat; and Gopal's of Soho reopening in time for the end of season dinner.

Commercial Deals

National Investment

Wye Estate, High Wycombe, HP11 1LH
SOLD FOR 18.5M (3.36% NIY)
Multi let trade counter investment comprising of 19 units.
Industrial

National Investment

Waddon Retail Park, Croydon
ACQUIRED FOR £13M (4.25% NIY)
A prime retail warehouse investment in one of the UK's strongest RWH conurbations.
Retail Warehouse

National Investment

Knight Retail Park & Premier Inn, Saffron Walden, CB10 2UR
ACQUIRED FOR 19.325M (4.55% NIY)
Premier Inn let for c.19 years and adjoining retail park.
Retail

National Investment

Proximity, Eastleigh, SO50 4NU
ACQUIRED FOR C.£20M
Single-let c.100,000 sq ft industrial unit let to Garmin.
Industrial

City Investment

Wool & Tailor, 10-12 Alie Street, London E1
SOLD FOR £26M (5% NIY)
Grade A office and ancillary accommodation arranged over lower ground, ground and 7 upper floors.
Office

West End Investment

52/53 Dean Street, London W1
SOLD FOR £1.80M (5.64% NIY)
Freehold. Retail unit t/a Coco Fresh Juice & Tea, and basement bar t/a Gerrys Club.
WAULT 8.5 years to expiries.
Sold off residential uppers.
Retail & Leisure Investment

City Investment

12-18 Theobalds Road, Clerkenwell, London WC1
SOLD FOR £18.5M (5% NIY)
A Grade II listed Freehold office investment, single let for 15 years to the Boutique Workplace.
Office

West End Investment

35 Devonshire Place, London W1
SOLD FOR £8.50M (4.24% NIY)
Freehold fully let medical and residential building arranged over lower ground, ground and four upper floors.
Medical & Residential Investment

Commercial Deals

Auction

Smeed Dean Centre, Castle Road, Sittingbourne, Kent, ME10 3EW
SOLD AFTER £4,500,000 (NIY 7.15%)
Comprises 26 light industrial/business units extending to 3,148.9 sq m (33,895 sq ft).
Industrial

Auction

Brierley Hill, West Midlands, DY5 1XJ
SOLD PRIOR £2,250,000 (NIY 6.25%)
Comprising office accommodation of approximately 1,056.29 sq m (11,370 sq ft)
Let to Virgin Media Limited.
Office

Auction

51 Clapham High Street, London SW4
SOLD £2,925,000 (NIY 5.04%)
Comprising a total GIA of 637.16 sq m (6,858 sq ft) with off street car parking
Entirely let to Matrix APA UK Limited.
Retail

Auction

Kingsland Road, London E2
SOLD £2,450,000 (NIY 6.01%)
Comprising ground floor restaurant on two separate leases with 6 studio flats above
Accommodation extending to 392.31 sq m (4,223 sq ft).
Leisure

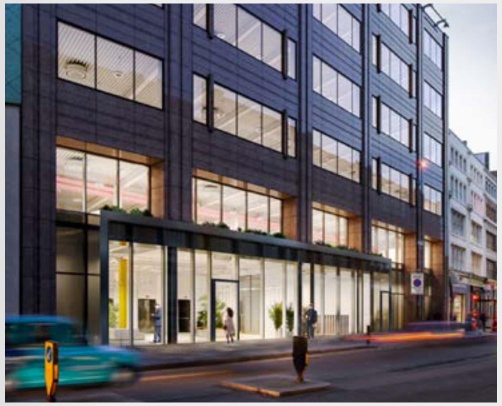
City Office Leasing

65 Threadneedle Street, London EC2
DISPOSAL OF 6,835 SQ FT
3rd floor let to IM Global on behalf of Columbia Threadneedle on a 10 year lease.
A new comprehensive redevelopment of 50,000 sq ft including retail and office space.

City Office Leasing

Bridge House, 4 Borough High Street, London SE1
DISPOSAL OF 5,665 SQ FT
On behalf of GMS Estates Ltd.
Bridge House has undergone a comprehensive redevelopment achieving record breaking rents in SE1.

City Office Leasing



Panagram (Ground + Lower Ground), 27 Goswell Road, London EC1
DISPOSAL OF 8,854 SQ FT
On behalf of Dorrington PLC.
Panagram is a beautifully remodelled office space with the remaining 8,854sq ft over ground and lower ground let to solicitors, Leigh Day.

City Office Leasing

The Garage, 33-35 Hoxton Square, London N1
DISPOSAL OF 12,522 SQ FT
On behalf of Aviva.
The Garage forms part of Hoxton Campus with 12,552 sq ft Let to Canva.

Commercial Deals

West End Office Leasing

23 Essex Street, London WC1
DISPOSAL OF 12,500 SQ FT
On behalf of Private Investor.
Let to Twenty Essex Chambers.

West End Office Leasing

55 Strand, London WC2
DISPOSAL OF 6,100 SQ FT
On behalf of Legal & General.
Let to SEON Technologies and Brightcove.

West End Office Leasing

10 Bloomsbury Way, London WC1
ACQUISITION OF 7,500 SQ FT
On behalf of Milltown Partners from London & Regional Properties.

West End Office Leasing

Coin House, London W1
DISPOSAL OF 5,000 SQ FT
On behalf of M&G Real Estate.
Let to Mirastar.

Residential Deals

RESIDENTIAL TRANSACTIONAL AND LIVING MARKETS

Build to Rent

Project Spur
UNDER OFFER
A unique forward funding portfolio of 1,200 Build to Rent family homes across 10 strategically located development sites in Yorkshire, the Midlands and the North West.

Residential Investment

Residential Portfolio
SOLD FOR £18.1M
Portfolio of six assets comprising a total of 209 units, sold in October 2022, total income £1,419,340 per annum.

Student Housing

Lillian Penson Hall, London W2
ACQUIRED £79M
Student accommodation comprising 313 beds. Vacant with value-add/refurbishment.

Student Housing

Opera House, London N19
SOLD £11.5M
Student accommodation comprising 64 beds. Operational, producing ~ £800,000 per annum.

Residential Deals

RESIDENTIAL TRANSACTIONAL AND LIVING MARKETS

Residential Investment

Stox Apartments, Leeds
SOLD FOR £1.6M
High quality city centre opportunity providing eight recently completed apartments, fully let producing £94,620 per annum.

Residential Development

Widewater Place, Harefield, Uxbridge
SOLD FOR £33M
Part vacant 117,996 sq ft multi-let office park with permitted development for 131 residential units and further development potential.

Residential Investment

1-41, Station View, Havant, Hampshire
SOLD FOR £8.045M
A new build fully let block comprising 41 units and parking located within close proximity of Havant station and town centre.

Residential Development

26-28 Harcourt Street, London W1H
SOLD FOR £6.35M
Part vacant 7,971 sq ft mixed use residential and office building with further development potential.

Auction

Lower Farm Stables, Cobham, Surrey
SOLD PRIOR IN EXCESS OF GUIDE PRICE OF £1M
Freehold buildings and land with potential for residential development.

Auction

40 Exeter Road, London NW2
SOLD FOR £1.905M
Freehold building arranged as eight flats, each subject to an AST.

Auction

1 & 3, Southampton Road, London NW5
SOLD PRIOR IN EXCESS OF GUIDE PRICE OF £2.1M
Two freehold buildings providing 15 studio flats, each subject to an AST.

Auction

20 Navarino Road, London E8
SOLD FOR £2.41M
Freehold semi-detached building arranged as five flats, fully let on a Rent Guaranteed Lease.

allsop.co.uk

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