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Adapting to changing client expectations

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Simon Rubinsohn and Jojo Cronin set out some of the challenges for the UK high street, as well as proposed solutions

Retail rethink

Over the past few months, the debate about the future of the high street has intensified as the cries of pain from ailing retailers have reached fever pitch. And with the fierce structural and cyclical headwinds showing no signs of easing, it seems highly likely that the already long list of casualties, including many household names, will lengthen further as winter draws in.

The reasons for this sad state of affairs are familiar enough. The inexorable rise in online competition – which now accounts for around £1 in every £5 of retail spending compared with just 20p a decade ago – is responsible for much of the pain being suffered by more traditional bricks-and-mortar brands.

However, alongside this, the largely stagnant living standards that have prevailed since the onset of the global financial crisis, coupled with the revaluation of business rates, have exacerbated the pressure on the sector.

Research by Altus Group puts the scale of the latter in perspective, estimating that the average rates bill for department stores in England and Wales will increase by more than a quarter in 2018/19, while large high-street shops see more modest but nonetheless double-digit rises.

Clause for concern
One consequence of this has been the well-documented, if somewhat controversial, application of company voluntary arrangements (CVAs) in an effort to improve the viability of a number of struggling retailers. Data compiled by RICS as part of the second-quarter UK Commercial Property Market Survey 2018 suggests that something in the region of one-third of respondents had seen an increase in the use of CVAs over the past 12 months.

More significantly, around two-thirds anticipated that this would lead to more landlords attempting to insert CVA clauses into contracts going forward. As a result, it is widely expected that landlords will probably become increasingly cautious about their future exposure to the sector – the lessons of the likes of House of Fraser, New Look and Toys “R” Us among many others are unlikely to be quickly forgotten.

Talking about retail in this general way does, of course, mask significant variations in performance. But the intelligence gathered through the RICS survey provides overwhelming evidence of the challenges becoming more widespread and pronounced.

For example, the latest results show rent expectations for prime retail turning down for the second consecutive quarter, although the projected decline over the next 12 months for this segment is still relatively modest at 2%, compared with a figure of more than 6% for secondary retail.

It is also noteworthy that the rents indicator for either primary or secondary locations is not positive for any region of the UK, over either a one- or three-year time horizon. Alongside this, we are being told that landlords are having to be increasingly generous in most parts of the country to attract and retain tenants.

Evolving streets
So what does the future hold for the high street? Is it realistic to try to recreate what many of us are familiar with? Or do we need to recognise the need for it to evolve? The emotional attachment to the traditional shopping experience remains strong for many, but data on footfall and the visible signs of overcapacity suggest this is insufficient to maintain the status quo.

In the recently published Grimsey Review 2, a rather different future for the high street is sketched out by retail expert Bill Grimsey (vanishinghighstreet.com). This is one in which “there is a need for all towns to develop plans that are businesslike and focused on transforming the place into a complete community hub incorporating health, housing, arts, education, entertainment, leisure, business or office space, as well as some shops, while developing a unique selling proposition”.

This emphasis on mixed-use placemaking provides an attractive alternative to the current challenges faced by many retail centres. Realising it will, however, require both vision and a willingness to act on the part of central and local government. It is likely to require a reassessment of the best way to raise revenues to match desired public spending commitments, as well as a recognition that greater flexibility is required on use-class designations.

In the absence of these and other changes, it is hard not to see the picture outlined in the latest RICS survey continuing to deteriorate. Of course, even in this environment there will be winners who can take advantage of omni-channel distribution. But broadly speaking, the legacy for the high street is likely to be a bleak one.
Researchers assess knotweed harm

Ecologists from global infrastructure services firm AECOM and the University of Leeds have carried out the most extensive research to date assessing the potential of Japanese knotweed (Fallopia japonica) to cause structural damage compared to other plants.

When the presence of knotweed is identified in homebuyers’ surveys, mortgage lenders often require evidence that a treatment programme is in place to control the plant, entailing significant expense for sellers. The stigma associated with it means that property values can be affected even after action is taken.

As well as setting out to test the accuracy of the 7m rule, which considers buildings within that distance of the plant to be liable to damage, researchers examined the risk using multiple lines of evidence.

As part of their research, they:

1. looked for evidence of the perceived threat in previous research literature
2. surveyed invasive species control contractors and property surveyors
3. assessed 68 residential properties where Japanese knotweed was found, and examined data collected when knotweed was removed by excavation from an additional 81 sites.

The research was led by Dr Mark Fennell, Principal Ecologist at AECOM, who said: “we found nothing to suggest that Japanese knotweed causes significant damage to buildings – even when it is growing in close proximity – and certainly no more damage than other species that are not subject to such strict lending policies.”

He added that although the 7m rule was based on the best information previously available, it was not a statistically robust tool for estimating the distance underground that the plant’s rhizomes are likely to extend.

RICS is currently reviewing its knotweed guidance in view of this and other recent research to determine the most appropriate means of assessing and reporting the risk posed by Japanese knotweed in the residential property market. Following the review, which will include consultation with stakeholders, RICS will issue updated advice.

https://bit.ly/2OG3lD0
www.rics.org/knotweed

Regen conference line-up announced

The Regen Conference will be held in Liverpool on 7–8 November and address the latest issues in urban and rural regeneration, policy and implementation, as well as highlighting the key successes in major towns and cities, such as central and waterfront redevelopments.

As regeneration is about the people, places, economic growth and investment that can create sustainable and resilient communities, the conference will examine the challenges that face towns and cities in terms of economic development, housing and neighbourhood renewal, and will bring delegates together with policy experts and industry leaders.

https://bit.ly/2OG3lD0
www.regen2018.com

Land registration reform proposed

The Law Commission has announced proposals to reform the land registration system to bring it up to date and stem the rise of property fraud.

The commission says the Land Registry has had to make close to £60m in indemnity payments because of fraud over the past decade, driving up land registration fees. As a result, it is recommending measures to help prevent fraud with registered land, alongside wider technical changes to the law intended to make conveyancing “faster, easier and cheaper for everyone”.

Law commissioner Prof. Nick Hopkins said: “For many, the land they own is the most valuable thing they will ever have, so it’s important that the registration system provides clarity over who owns what.”

“The Land Registration Act 2002 was a huge leap forward in landownership, but 15 years on it needs to be refreshed to adapt it to the modern world and make things as efficient as possible. We are recommending some technical reforms that will iron out the wrinkles, help prevent fraud and make conveyancing faster, easier and cheaper for everyone.”

The commission’s key proposals to tackle fraud include:

1. enabling the Land Registry to set reasonable measures that conveyancers must take to verify the identity of their clients, to help root out fraud
2. imposing a duty of care on conveyancers with respect to identity checks, based on the Land Registry’s directions
3. ensuring that the Land Registry has a right of recourse against conveyancers where they have failed to meet their duty to check identity, so the amount paid for the loss caused by the fraud can be recovered; conveyancers who follow the required steps won’t be responsible if fraud still takes place.

Report flags up smart city barriers

More than a third of technology experts – some 37% – believe that occupiers are the group most likely to hold back the development of smart cities, according to research from international legal practice Osborne Clarke, while governments and property developers are not far behind, with 33% of respondents expressing concern about each group. Osborne Clarke’s report Future Proof Real Estate offers a picture of how the technology sector thinks innovation will change the face of the built environment in Europe over the next three to five years.

Technology giants and technology start-ups are, however, seen as the main groups with the know-how to support the creation of smart cities, according to 54% of respondents in each case. Academics, too, are regarded as important in the development of smart built environments, with 40% of respondents saying they see universities as extremely knowledgeable in the creation of smart cities.

Commenting on the findings Conrad Davies, Head of Real Estate and Infrastructure at Osborne Clarke said, “Bristol is a prime example of how the public sector can work alongside tech start-ups and universities to create smart cities. It is leading in the use of technology to transform the way we live, work and study. The property sector needs to have more open and collaborative discussions; only once all these parties are aligned and working towards the same goal will smart cities become widespread. “Take government for example: when a local authority or government agency is awarding contracts for development projects, it will score tenders against pre-determined evaluation criteria. What if, instead, they engaged with property developers, builders, investors, technology companies and universities earlier in the process to discuss innovative solutions to their brief?”


RICS Commercial Property Conference to scrutinise market

The real-estate market is experiencing unprecedented change, with an influx of disruptive business models, technological advances and evolving consumer demands. All sectors have been affected, with offices being disrupted by growing demand for co-working and flexible space, causing landlords and agents to rethink lease flexibility and workspace layout. A rise in demand for online services and click and collect has had a positive impact on the industrial sector but has caused retail to struggle in recent years. With all these changes, the commercial property market must continue to adapt and modernise in order to meet challenges.

The RICS Commercial Property Conference 2018 will provide an economic outlook across the UK and offer in-depth examination of market conditions in the office, industrial and mixed-use sector. Including presentations, case studies and discussions, the conference will examine topical issues such as productivity and cyber security. The event will also feature dedicated breakout sessions on innovation, risk and regulation.

The conference will provide the perfect platform for commercial surveyors to benefit from high-level discussions that will improve their understanding of current and future market demands. Highlights of the day will include:

- the CEO Forum, bringing together leading figures to debate the biggest issues affecting the sector
- an economic update on current market conditions and results from the latest RICS Commercial Property Survey examining take-up and investment
- an ethical hacker, explaining how you can adequately protect your clients’ data
- an interactive panel session on how property can influence and increase productivity and well-being
- the opportunity to meet colleagues from across the UK to learn, discuss and debate challenges and potential solutions to real-estate issues, and to learn crucial lessons from our expert speakers
- hearing first-hand views from landlords, tenants, investors, economists and others to discover how to tackle and solve the sector’s biggest challenges.

www.rics.org/commercialprop2018
Loan working

Kate Taylor introduces the new competency
Loan security valuation and details what APC candidates need to know

Since 1 August, all candidates enrolling on the RICS Assessment of Professional Competence will be declaring competence under the new pathway guides, and candidates already enrolled may switch to the new guides as well if they wish (www.rics.org/pathways2018). The changes are detailed in a useful summary document, Pathways to professional qualification – summary of changes, which can also be found on the website. Candidates should read this when deciding whether to switch to the new pathways.

The updates to the pathways include several new competencies, and one of the most significant for real estate professionals is likely to be “Loan security valuation”. The first opportunity to assess the new pathways will be session 2 of the 2018 final assessment, taking place in October and November. The Loan security valuation competency will be new to both candidates and assessors.

The new competency

The Loan security valuation competency has been established a direct result of the consultation process for the draft pathway guides; in other words, it has been driven by the profession. It covers valuation for the specific purpose of loan security in accordance with valuation standards – the Red Book – for residential or commercial property.

Requirements for the competency’s three levels are detailed below.

Level 1
At this level, candidates are required to “Demonstrate knowledge and understanding of the financial market and how this is supported by valuation advice, including the role and importance of debt finance in property (such as principal forms of debt and their sources), trading assets and loan security, the relevant valuation standards (Red Book) and relevant negligence case law, due diligence relevant to loan security valuation, particularly conflict of interest, and risk management in property lending decisions.”

In practice, this means making sure you have the background knowledge relevant to loan security valuation; this will help reassure assessors that you understand the relevant financial markets and the background to potential negligence. There is also some overlap between this and the competency “Property finance and funding”.

Key to success will be understanding how debt finance works and the valuer’s role. Inevitably, a good understanding of the Red Book and conflicts of interest will be expected, in particular the parts relevant to secured lending.

Level 2
Candidates should “Demonstrate practical competence in undertaking valuation for the purpose of loan security using appropriate techniques, including the application of the relevant valuation standards (Red Book) to valuation, incorporating lenders’ specific requirements into a valuation, and appropriate research into factors affecting risk in loan security valuation.” They should also “Identify factors that affect the ability to obtain finance.”

Level 2 is about putting Level 1 knowledge into practice and actually producing the valuations. The key point here is that the focus should be on meeting a lender’s requirements for specific information to inform a lending decision; this will vary between lenders and exceed the Red Book requirements. This will overlap with valuation, but the emphasis should be on fulfilling the lender’s requirements, based on their specific risk assessment needs.

Level 3
At Level 3, candidates need to “Provide evidence of complex reasoned quantitative valuation advice to clients in the form of compliant valuation reports. For example: SWOT [strengths, weaknesses, opportunities, threats] analysis, commenting on loan terms, commenting on future performance of the investment and commenting on the influences of the wider market.” They should also “Describe the complex reasoning behind your recommendations to client in order to mitigate clients’ risk.”

This is about giving the advice to the lender and being able to explain that advice clearly, which can be demonstrated by describing the contents of the report and how the valuation methodology was illustrated to the client. The key to achieving Level 3 is a thorough understanding of the client’s needs, and meeting these with your valuation report.

Overlaps
There may be some concern about the overlap between the Loan security valuation competency and that of Valuation. The new competency will provide extra flexibility for candidates specialising in loan security valuation, but such candidates are still expected to select both competencies.

The Valuation competency provides the opportunity to talk about technical valuation methodology and advice for all valuation purposes, while the Loan security valuation competency focuses on more complex, specialist advice and enables candidates to describe this in the context of financial markets.

Candidates selecting the Valuation and the Loan security valuation competencies can avoid duplication by demonstrating competence for the former in valuation methods and techniques and numeric advice to clients and, for the latter, in specialist qualitative advice to mitigate financial risk.

Careful consideration

The new competency provides an opportunity to showcase valuation experience in a specific sector. Valuers are advised to think carefully about which pathway and competencies demonstrate their competence to best effect.

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Related competencies include Loan security valuation
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Long-term valuers
What will clients want from valuers and valuations in a tech-enabled future? Sander Scheurwater reviews RICS research findings

The valuation profession is likely to face a period of significant change in coming years, in terms of how the process is managed, the role of the valuer and the benefits they can offer to clients. An RICS insight paper, The Future of Valuations (www.rics.org/futureofvaluations), explores two main issues to determine how far they will have an impact on valuations and valuers: technological developments and changing client expectations. The latter is the focus of this article.

The paper was developed by a Europe-wide expert group consisting of both valuers and clients. Such an approach is important, because it is only through discussion that we can find the right way forward. We are therefore extremely grateful for the support and cooperation of banks via the European Mortgage Federation–European Covered Bond Council, and for that of institutional investors through INREV, the European Association for Investors in Non-Listed Real Estate Vehicles.

Changing client expectations
Valuations have come under increased regulatory scrutiny in recent years. While market value remains the dominant basis for many valuation purposes, the global financial crisis showed the limitations of relying on this in the event of a severe downturn. Megatrends such as changing demographics, increasing urbanisation, climate change and self-driving cars will have an impact on long-term value as well, which is important to the client.

The paper describes two main elements in which clients are increasingly expressing interest, but which remain difficult for valuers to take into account in traditional valuations: sustainability and long-term value.

Sustainability and value
Sustainability, as defined by the RICS Red Book, is “the consideration of matters such as (but not restricted to) environment and climate change, health and well-being and corporate responsibility that can or do [have an] impact on the valuation of an asset. In broad terms it is a desire to carry out activities without depleting resources or having harmful impacts”. Sustainable and climate-resilient real-estate characteristics should be taken into account, as they have an effect when valuing a property.

However, valuers reflect the market; they do not lead it. Solid evidence of factors affecting the value of properties is still required. So far, despite the growing number of studies in this area, most research aiming to provide empirical evidence that valuers need has been of limited use.

Currently, the RICS Sustainability and commercial property valuation guidance note (www.rics.org/suscpvalgn) advises valuers to collect appropriate and sufficient sustainability data as and when it becomes available for future comparability, even if it does not currently have an impact on value.

But there is a client demand to know about the impact of sustainability, and valuers should think about how to use their knowledge and skills appropriately and go beyond a traditional valuation. The discussion around a building’s sustainability is often directly linked with another conversation among valuers and between valuers and clients – namely, the subject of a building’s future, or long-term, value.

Long-term value
As has already been indicated, the use of market value on its own, under any circumstances and for any purpose, has had demonstrable limitations, especially during the global financial crisis. A market value essentially looks at the past, and can thus lead to a lagging effect.

There is no doubt that market value will remain the main valuation base for many purposes. But at the same time, clients are increasingly asking for “long-term value”. Different terms are used, such as long-term value, economic value or real economic value, sustainable value, and the already existing mortgage-lending value. However, except for the latter, these have never been fully developed (see the Bank lending valuations and mortgage lending value guidance note, www.rics.org/banklendvalgn).

For valuers, part of the reluctance to engage in the discussion may revolve around definitions of value and liability. Looking into the future value of a building might better be described as a risk assessment or a prediction than a “value”. Also, with the future being inherently uncertain, providing a future value or risk assessment cannot have the same liability consequences as providing a market value.

Long-term value discussions, and research, are already taking place. Two examples in the paper are:

- Long-term value discussions in Germany, where the local valuation body HypZert leads a European initiative on Long-Term Sustainable Value, with a discussion paper published on this in 2016 (http://ltssv.info/ltssv/ltsv)
- A Vision for Real Estate Finance in the UK, which was published in March 2014 (https://bit.ly/2MphDcF), provided seven recommendations for reducing the risk of damage to the financial system from another commercial real-estate market crash; one of these was to use long-term value in risk management. This led to a follow-up report in June 2017 entitled
may have become more sophisticated and professional but has not changed substantially over recent decades.

The future valuation process
Now, imagine what a future valuation process could look like.

- **Pre-valuation negotiation process:** rather than being reached through negotiation with a client, the valuation agreement could be done through so-called smart contracts, without human interaction. There would be no need for legal departments, and the smart contract could be put in a blockchain system for validation and transparency.
- **Investigation:** in many instances, a property will still need to be inspected, but this could be done by drones on the outside and advanced robotics on the inside. Data could also be gathered more through secondary sources such as Google or Twitter, and through digital developments such as smart buildings and the Internet of Things, rather than the aforementioned primary data sources.
- **Secondary data** can then go into an automated valuation model run by artificial intelligence, and the results of this process may be analysed and interpreted by a qualified valuer.
- **The outcome** could be variously a value, value range or advice for the future, which could go into a visually attractive and easy-to-understand interactive valuation report.

There are two key points to note about this putative process.
- Valuations can be done without any human intervention.
- Whatever the process looks like exactly, it will become more fragmented, and there will be no need for a professional valuer from the terms of engagement to the valuation report.

Certain aspects may be carried out by a machine, some in house by the clients, and other aspects skipped altogether. The involvement of the valuer, and the part of the valuation process in which they are involved, will depend on the complexity and risk level of the valuation, but also on the value that the human professional can add for the client.

The valuer as advisor
So the paper offers one simple recommendation: be prepared. Don’t be afraid of changes in technology or the market, or ignore them. Study them, and see how you can best use technological developments and changing client expectations to your benefit. Or,

conclude that nothing will change and that therefore you don’t need to. It’s up to you.

The paper also recommends that valuers embrace technology, enhance the client experience and update their skill sets. Most importantly, consider whether the valuer could, or should, come to act more as an advisor to the client. The report explores two roles for a valuer, which could be interlinked or distinct.

- **The valuer as valuer:** providing independent valuations that meet the demands of professionalism, independence, impartiality and objectivity, for instance for regulatory purposes and shareholder protection, based on market value or other existing criteria.
- **The valuer as consultant:** providing commercial advice to the client on a range of issues and looking into the future, with the client remaining responsible for the business decision.

Becoming consultants would mean that valuers would increasingly operate in a highly competitive environment. However, with their extensive knowledge of both markets and buildings, alongside the right training, a different outlook on technologies and methods and a discussion on long-term value, they could comfortably fulfil both their core role as well as that of consultant.

There may be an increased polarisation between valuers who need to be efficient and valuers who offer a non-standardised process, but it will be up to the individual valuer to see where their niche lies, and to the individual client to understand and decide what they are looking for in a valuation. But all things considered, there is no doubt that valuations and valuers will continue to benefit the client.

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**Valuation and technology**

The paper also recommends that valuers embrace technology, enhance the client experience and update their skill sets. Most importantly, consider whether the valuer could, or should, come to act more as an advisor to the client.

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**Related competencies include:**

- Valuation
- Property
- Asset management
- Sustainability

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www.rics.org/futureofvaluations
There is no doubt that the repercussions of the Grenfell Tower fire have brought home to landlords and occupants alike the shortcomings of the building industry, particularly the performance of the modern facade with regard to fire.

The Building Regulations, principally Approved Document B, are intended to ensure that a building and its facade are designed to allow sufficient time for the safe evacuation of occupants if the property is exposed to fire.

Fundamentally, the regulations are there to preserve and safeguard life, rather than the asset. To this end, the design, components, selection of materials and installation of facade systems must provide assurance for occupants and owners throughout the life of the property.

Fire spread
In general, the Building Regulations require that external walls on all buildings adequately resist fire spread, and statutory guidance in Approved Document B sets out two ways that they can fulfil this requirement.

The first is for each individual component of the wall, such as insulation or filler, to meet the standard for combustibility. The second is to ensure that the combined elements of a wall, when tested as an entire, installed system, adequately resist the spread of fire to the relevant standard.

Until recently, another method for proving compliance has been to carry out desktop assessments in lieu of actual tests of the facade system. However, the government has undertaken a consultation process on the use of such assessments, though the responses are yet to be published at the time of going to press (https://bit.ly/2HtlqBa). The consultation is in line with the recommendations made by Dame Judith Hackitt in her interim report on Building Regulations and fire safety.

Dame Judith’s advice should be read in conjunction with all sections of Approved Document B that outline test regimes, performance of materials, products and structures, and which establish the principle of assessments.

Approval standard
Currently, approval of cladding systems for tall buildings is carried out via full-scale tests in accordance with the requirements of BS 8414, which was introduced in 2002. These involve taking a 6m-high, right-angled sample of the cladding and placing it in a wooden crib comprising 395kg of softwood of specific cross-section and length, arranged in 20 layers. This crib is then set alight, and the behaviour of the fire is measured over 30 minutes.

The concern from various parties is that the prescribed test specimen and its construction do not represent the exact conditions into which the system will be installed. The materials used and construction techniques have changed considerably since the test was introduced almost 20 years ago.

These changes include a sizeable increase in plastic content, which contributes significantly to the fire load and even the height of flames. The test sample is invariably quite idealistic as well, devoid of penetrations such as ducts, pipes and even additional windows, let alone the architectural articulation of the cladding.

Plastic vents and ducts can precipitate fire into the void well before the cavity barriers can intumesce, and this possibility is not currently addressed in BS 8414. There are other factors of concern as well, including the oxygen supply that contributes to the chimney effect; this is a by-product of the need to include a ventilation void in rainscreen cladding systems.

All this and more suggest that testing to BS 8414 is too generic an approach, one that is dated and does not address many key industry concerns, and it therefore requires review. It is expected that the proposed BS 9414 will redress these concerns.

Facade types
Apart from the aesthetics, the prime function of a facade is to resist air and water infiltration, accommodating wind and other forces that act on it while supporting its own dead load. Above all, it must do this safely and without endangering life.

Different systems achieve this in different ways. The materials used in standard curtain walls are generally manufactured from aluminium and glass, both of which are non-combustible and comfortably comply with the primary requirement of Approved Document B to prevent the spread of fire through the external wall. Curtain walls are generally durable, need little maintenance and provide excellent aesthetics.

The rapid rise of rainscreen cladding globally in the past decade or two demonstrates that it is an economic and simple alternative to curtain walls for new properties or over-cladding older
compromised by a general lack of knowledge about the requirements of the Building Regulations and their implicit objective of ensuring the safety of the persons occupying or using the building.

**Aluminium composite**

ACM cladding is a versatile product, and in the past two decades has been used increasingly in high-rise properties throughout the world. It is essentially two thin skins of aluminium or other metals bonded to a plastic core sometimes referred to as filler, forming a relatively rigid sheet some 3–4mm thick.

Unless specified otherwise the basic core material is highly flammable, with a heat potential comparable to that of petrol at more than 45MJ/kg, and it is ranked as class C or D in the European Reaction to Fire classification system. It must therefore be used with absolute discretion, particularly on high-rise properties. The insulation, cavity barriers and even the wall construction behind it must be designed and installed carefully to comply with the appropriate parts of Approved Document B.

ACM and rainscreen cladding have their limitations, which must be taken into account in terms of performance. But in the light of Grenfell Tower, compliance with the requirement and guidance in Approved Document B4 and the need for cladding materials to be of “limited combustibility” is very important. This, together with the need for proper installation of cavity barriers, compartmentation and fire-stopping, is fundamental to good installation and compliance characteristics, which are ultimately designed to preserve life in the event of a fire.

The method of installing cladding panels and retention of cavity barriers and fire-stopping is equally important since ineffective fixings and loose materials can be injurious if they become detached in high winds, and worse if they are ablaze and start secondary fires wherever they land.

ACM panels are available with a fire-retardant core and hence usually have the suffix “FR”. Additives in the core can reduce the heat potential in such panels by about 30% to less than 13MJ/kg, putting it in class B. Meanwhile, the better type A2 ACM can have a heat potential of less than 10% when compared to the standard polyethylene core, at less than 3MJ/kg.

Please note FR means fire-retardant rather than fire-resistant. There are also additional classes for smoke development, designated s1, s2 or s3, and the amount of burning droplets emitted, d0, d1 or d3. Thus, an ACM panel may be designated A2–s1, d0, for instance.

**Cavity barriers**

Such barriers are required because of the risk of fire spread in cavities behind rainscreen panels, which can occur rapidly, and out of sight, due to the chimney effect.

Note that cavity barriers are not fire-stops; fire-stops are located internally between the floor slab and the facade’s inner surface, and are required to have the same fire rating as the compartment wall. Cavity barriers are located in the cavity of the rainscreen and are both horizontal and vertical, although the horizontal barriers must include a 20mm gap to allow the cavity to be drained and ventilated. However, they must also intumesce and seal in the event of a fire.

The two criteria for cavity barrier performance are that the correct type is used in the facade, and that they are installed correctly. Currently, there is only guidance on the requirement for inspecting the presence and quality of installation of cavity barriers, including those in existing buildings.

Acrylic render also requires a mention since this and its backing material or insulation can be combusible and therefore non-compliant. Both are, however, available in non-combustible form. The fixing methods for attaching the insulation and render to the substrate must be selected carefully, and the materials must be fitted correctly to avoid the entire render detaching from the construction, for example during high winds or if the fixings cannot sustain the weight of the construction when wet.

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For the latest information, visit the Ministry of Housing, Communities & Local Government site
https://bit.ly/2s8TfBf

Related competencies include Health and safety
Seller fraud

Q My firm was acting for a buyer when the vendor turned out to be a fraudster who didn’t own the property and absconded with the buyer’s money. The buyer is now suing my firm; but can we be liable for the actions of someone who wasn’t our client?

> Markus Klempa and Catherine Penny

A The short answer is yes: depending on the facts, you may be liable. The unfortunate position that you may find yourself in was recently considered in the Court of Appeal case Dreamvar (UK) Ltd v Mishcon de Reya [2018] EWCA Civ 1082.

The buyer, Dreamvar, pursued its solicitors, Mishcon de Reya, for negligence and breach of trust arising out of property fraud. Following resort to the Court of Appeal, Mishcon was held liable for breach of trust but not for being negligent. You may find the facts of the case worryingly familiar.

The buyer was contacted by its agent about a swift sale of vacant property. The asking price was promptly agreed, and Mishcon was instructed to complete the deal quickly without carrying out all the necessary searches before completion.

Mishcon received a memorandum of sale from the agent giving the name of the vendor – Mr Haeems – and that of his lawyers, Mary Monson Solicitors Limited (MMS). Shortly afterwards, MMS sent Mishcon a contract that appeared to be signed by the true owner, although the address was different to the one mentioned in the title register. MMS carried out a form of customer due diligence (CDD), but other than receiving copies of a TV licence and driving licence, which were at least verified by an independent solicitor, no other steps were taken to confirm his identity.

Unaware of this, Mishcon could not question it, and did not advise Dreamvar on the risk of identity fraud. The purchase money was sent to MMS and released following completion pursuant to the Law Society Code for Completion by Post 2011. Shortly after completion, the Land Registry recognised a discrepancy in the addresses, revealing the fraud. By the time it raised this with the real Mr Haeems, the fraudster had absconded with the money, much to everyone’s consternation.

Having been defrauded of £1.1m, Dreamvar claimed Mishcon was negligent for failing to advise as to the risk of identity fraud, and was in breach of trust for releasing the purchase money to the fraudster’s representative. As to the claim in negligence, the court rejected this on the basis that Mishcon did not owe a duty of care to the buyer in the circumstances. The transaction was at arm’s length, and any anti-money laundering checks undertaken by a vendor’s solicitor are to satisfy the Money Laundering Regulations, not to protect the purchaser. On the facts, it would not be fair or reasonable to treat Mishcon as assuming responsibility for the adequacy of any CDD carried out by MMS on the vendor’s identity. The Court of Appeal agreed.

As to the other claim, the court held that the completion money was held on trust and there was an implied term in Mishcon’s retainer with Dreamvar that it would only be released for a genuine completion. As there had clearly been no genuine completion, Mishcon was therefore in breach of trust.

The firm did not challenge this, but on appeal sought relief under section 61 of the Trustee Act 1925 on the basis that it had acted honestly and reasonably and ought fairly to be excused for the breach. In particular, it had no access to the purported vendor to check his identity, whereas MMS had not carried out adequate checks and was itself held liable by the Court of Appeal for breach of trust. Rather unsatisfactorily, even though the Court of Appeal agreed with Mishcon, it refused relief because it considered Mishcon was in a better position than Dreamvar to take the loss and seek a contribution from MMS.

Each case will depend on its particular facts; the outcome will also be affected by whether you have used the 2011 code and standard retainers or contracts. If so, you still face the difficulty that, no matter how diligently you think you may have acted, simply releasing money to a fraudster or their representative will likely be considered a breach of trust. Also, even if you have acted honestly and reasonably, relief under the 1925 act may not be available to you.

The decision not to grant relief in Dreamvar was not unanimous, but alas it will not be appealed, so the law as laid down in the case therefore stands. However, you should investigate this further as your circumstances may be distinguished from the facts in Dreamvar and increase your chances of relief or at least partial relief. Also, like Mishcon, you may be entitled to a contribution from the vendor’s solicitors, or even a full indemnity if they have also acted in breach. ☛ This information is necessarily brief and is not intended to be an exhaustive statement of the law. It is essential that professional advice is sought before any decision is taken.
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Chalk it up to experience

Recent research highlights the value of simulations and other non-traditional techniques over conventional classroom learning in acquiring professional competencies, as Martyn Quarterman explains.

How do qualified graduates become fully functioning surveyors? Academic knowledge alone does not equip them to deal with uncertain conditions when critical thinking and subjective decision-making is required. This problem prompted research, as part of a doctoral programme at Anglia Ruskin University, into the effectiveness of simulations and other non-traditional learning techniques in giving graduates a better sense of professional situations.

Graduates entering the construction industry must acquire a number of professional competencies, over and above the technical knowledge they attain in their studies. The acquisition of these competencies beyond degree level is widely cited as being problematic; students quoted in Modus in 2013 remarked, for example, that “completing a degree course does not make graduates into trained surveyors”, “work experience is essential: surveyors cannot practice on their academic knowledge alone”, and “the challenge is to train graduates how to behave like professionals, which cannot be taught by academic study”.

Competency conundrum

The traditional route into surveying was work-based training supported by part-time, day-release or distance learning, ahead of examinations set by the professional bodies; professional competencies were therefore primarily acquired by experience. With time, however, entry to the profession was almost exclusively achieved by taking a degree. Michael Eraut, Emeritus Professor of Education from the University of Sussex, argues that the effect was for professional education to become knowledge-led rather than practical, which resulted in deficiencies in decision-making, judgement and other capabilities that are essential irrespective of profession.

RICS and other bodies recognised the deficiency of academic routes that did not or could not allow entrants to the industry to develop such competencies, and acknowledged the need for them to do so before they could be certified as professionals. For RICS membership, such certification is achieved through structured APC training programmes, which require entrants to complete a minimum of two years’ relevant professional experience and training.

In the initial stage of the study, the research at Anglia Ruskin sought to determine which techniques are currently incorporated into such structured training. Interviews were conducted with graduate training managers at a sample of private practice firms, and these found that programmes predominantly rely on traditional learning techniques such as lectures and slideshow-led workshops. The interviews also sought to establish which competencies graduates find most difficult to achieve, and among those that were frequently cited were applying ethical standards and displaying leadership skills – that is, those requiring higher-order abilities.
Practical parallels

The research study also undertook an extensive literature search to identify training and development approaches applied in other professions and disciplines. Non-traditional learning techniques were found to be widespread, with three in particular identified as encouraging active, collaborative and cooperative learning and engaging learners in practical experiences.

The first was experiential learning through simulations, perhaps most evident in the fields of nursing and medicine. For example, Gemma Fletcher and colleagues at the University of Aberdeen noted the shift to simulations in training anaesthetists, especially in cognitive or mental skills such as decision-making, planning and situational awareness, and social or interpersonal skills such as teamworking, communication and leadership. Pamela Moule and associates from the University of the West of England, meanwhile, reported in their research that the nursing profession has moved extensively towards using simulations in teaching and learning methods to address shortfalls in practice.

The second non-traditional approach found was the use of accelerated learning techniques in management development programmes. This began in the early 1960s when a Bulgarian psychiatrist, Georgi Lozanov, discovered that by using music, meditation and other visual and auditory tools, students were able to learn significantly faster and more effectively. In the UK, Alistair Smith, a trainer in modern learning methods and Education Director for Frog Education, and his associates suggest that accelerated learning is widely used in business training and argue that the benefits can be significant, particularly if activities are designed to appeal to as many learning styles as possible.

The third non-traditional method identified was the rapidly growing specialism of game-based learning, in particular “gamification” (http://bit.ly/1Sg2PYp). Game thinking and mechanics engage learners, offering, for instance:

- points for participants to earn
- rewards for participants to buy with their earned points
- badges so participants can show peers their achievements
- leader boards showing real-time feedback for all participants.

Combined learning

Based on the literature review, the researchers developed a learning model that combines the benefits and applications of the
three non-traditional techniques by encouraging engagement, being realistic and relevant, providing experiential learning, and inspiring critical thinking and higher-order behaviours.

The model combines simulations and problem-solving in an accelerated, game-based structure, shown in Figure 1.

Experimental engagement
An experiment was conducted to test the model, using a sample of new surveyors who follow the Quantity Surveying and Construction APC pathway. The experiment comprised a series of four-hour workshops on the application of ethical standards.

In the workshops, a scenario is created through which participants work, addressing problems and gaining and losing points following a game-based approach. The design comprises 13 primary storyboards, each describing a scene and establishing issues and challenges faced when applying ethical standards. The storyboards are:

1. the scenario
2. the players
3. the client
4. planning advisor performance
5. professional and ethical standards
6. money laundering
7. decision-making
8. advance payment and client funds
9. accelerating planning approval
10. tender lists dilemma
11. conflicts of interest
12. bribery
13. errors and professional liability.

The storyboards are randomised, and participants establish their own route through them by addressing dilemmas and making decisions, in a fun and engaging scenario.

A total of 44 graduate trainees participated in the workshops, and each was afterwards asked to complete an assessment questionnaire. The same data was also collected from a control group who were learning ethics as part of their normal structured training programmes, and the results showed that workshop participants gained more knowledge more quickly than this control group. Workshops combining non-traditional learning techniques thus proved an effective and speedy way of developing higher-order professional competencies.

Transferability
While the focus of the research was student members following the Construction and Quantity Surveying pathway, RICS pathways cover 15 further specialisations, including Building Surveying, Land Surveying, Project Management and Valuation, each of which has student entry criteria and competency assessment requirements consistent with Construction and Quantity Surveying. As a result, the researchers contend that the learning model can reasonably be transferred to all RICS student members. They also argue that the findings could be applied more widely to new entrants in the built environment industry through organisations with student membership and professional competency development programmes.

One downside of non-traditional learning approaches, however, proved to be the increased preparation time required. This presents a challenge to wider implementation of the learning model in structured graduate development programmes, and would need the commitment of relevant stakeholders. However, larger firms that have dedicated graduate training managers could adopt the model in training programmes to cover a number of competencies, while at small or medium-sized firms, APC supervisors and counsellors could support the approach, possibly with approved training providers.

The application scenario adopted in this research is also suited for future expansion on a digital platform; this must be a future direction for competency development.

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**Figure 1**

Framework for learning model

![Diagram showing the framework for learning model](image-url)
According to an article in *Insurance Times*, the sub-prime lender UK Acorn Finance is seeking £14m plus interest from the insurer Markel in relation to professional indemnity insurance (PII) claims made against one of the latter’s insured parties that is now in liquidation, Colin Lilley Surveyors. The coverage suggests that Markel is attempting to void the claims because it alleges that the surveying firm failed to disclose that it was working for sub-prime lenders when it renewed its PII policy in 2013.

Questions about surveyors doing work for sub-prime lenders were widely adopted by PII providers following the global financial crisis, in the belief that such lenders were more likely to make allegations of negligence against surveying firms. These questions are still in use, with most forms asking “Do you undertake work for sub-prime lenders?”

**Identification**

A list of lenders that insurers define as “sub-prime” has never, so far as we are aware, been developed or distributed. So what exactly is a sub-prime lender? And how can a surveying firm know whether they have carried out work for one? We believe that the lack of a precise definition or list means many surveying firms are saying that they do not undertake sub-prime work. In the light of the Markel case, this could lead to further attempts by insurers to void claims.

In addition to the danger of claims being voided, some insurers are trying to apply higher excesses to the work undertaken for lenders they believe are sub-prime. If a list of sub-prime lenders were distributed by insurers, surveying firms could make a proactive decision about their clients, taking account of the potential impact of a higher self-insured excess. In the absence of such a list, surveying firms are not only in danger of being accused of non-disclosure, they will also find it impossible to measure risk against reward accurately given the likelihood of a higher self-insured excess being retrospectively applied.

**There remains a danger that the true extent of sub-prime lending is only revealed in a financial crisis**

Insurance underwriters seem to base their definition of “sub-prime” on the type of lending being done, automatically classifying, for example, bridging loans as sub-prime. Historic claims data partially supports this approach, although not all short-term loans can be classified as sub-prime and some short-term lenders will also lend to non-sub-prime borrowers, so the application of a higher excess across all work done for a particular lender seems unnecessarily punitive.

Furthermore, this approach does not take account of the party to whom the lender is lending, how the lender is funded, and the sort of property to which the loan relates. All of these factors must be considered to give an accurate assessment of whether or not a loan is more or less likely to result in repossession, which is the ultimate object of PII underwriters’ concern.

Even when all these questions have been answered – which is impossible without an explicit understanding of each and every lender’s lending criteria – there remains a danger that the true extent of sub-prime lending is only revealed in a financial crisis, at which point the term would have to be applied retrospectively. Remember that a PII policy covers work done over many years beforehand.

Until surveying firms are in a position to answer the question about work for sub-prime lenders accurately, we believe it should be removed from PII proposal forms. We also feel that the RICS should review the minimum PII wording to water down exclusions that relate to non-disclosure on sub-prime lending.

**Data**

As to how insurance underwriters better measure risk, this all comes down to data and the way that it is shared between lenders, panel managers, surveyors and insurers. Ideally, the more onerous questions on a PII proposal form would be removed, with surveying firms that undertake lending valuations instead providing an annual report summarising all the work they’ve undertaken in the previous year and gives a risk score to each job. No easy task – but perhaps there’s a tech firm out there that would like to give it a go?

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Related competencies include Insurance
Robert Walker summarises the essentials of the IFRS 16 accounting standard for lessees

International Financial Reporting Standard (IFRS) 16 is a new accounting standard that will change the way that leases, including property leases, are accounted for. It is effective for accounting periods beginning on or after 1 January 2019, and will apply to companies accounting under IFRS and FRS 101.

Lessees with operating leases of property accounting under IFRS will see significant changes once they adopt the new standard. The balance sheet will include a liability for future lease payments and a corresponding right-of-use asset will be recognised.

Rental expense in the income statement will be replaced with depreciation of the right-of-use asset and a finance charge associated with the liability. Timing of tax relief for leasing costs could change, and may well be brought forward, given that the change generally results in a front-loading of the accounting expense.

On transition to IFRS 16, a lessee has to choose either a full retrospective approach or one of two modified retrospective approaches to their accounting; the former and one of the modified approaches lead to an adjustment to brought-forward reserves. From a lessor accounting perspective, the accounting will not change significantly, as lessors will continue to classify leases as operating or finance leases.

**Corporation tax**
The corporation tax deductions available to a company for the costs of leasing property when accounting under IFRS 16 need to be established. The implications for the interest restriction rules also require some consideration.

On 1 December 2017, HMRC issued two consultation documents, which respectively addressed the deductibility of the accounts charges and the treatment of leases as part of the interest restriction rules. On 6 July 2018, HM Treasury published draft legislation in response to the consultations.

This proposes that, where a lessee accounts under IFRS 16, the deduction for rent will be based on the amounts shown in the accounts in respect of the finance charge – “interest” – and the depreciation charge relating to the right-of-use asset.

It is therefore likely that IFRS 16 will result in an acceleration of deductions, given that the interest charge will be higher in earlier accounting periods when the lease liability is greater, and will decrease in subsequent periods as that balance declines over the term of the lease. This is in contrast to rental payments under an operating lease, which would have been recognised on a straight line basis over the lease term.

The initial transition to IFRS 16 may also have an accounting impact, depending on the transitional approach adopted. In broad terms, the position under the draft legislation is that the lessee will be required to spread any transitional adjustment recognised on adoption of IFRS 16 over the average remaining length of the leases that have given rise to this adjustment. The spreading is determined by looking at the transitional adjustments under individual leases and applying a weighted average.

The second consultation concerned the interaction between the new finance charge arising after adoption of IFRS 16 and the corporate interest restriction rules. Without any changes to the legislation, the new finance charge would potentially be treated as “interest” under the corporate interest restriction rules, and therefore subject to disallowance to the extent that “interest” exceeds 30% of earnings before income tax depreciation and amortisation. This could have a significant impact on many companies, particularly those such as retailers that have large property portfolios.

However, the government has decided to adopt an approach that broadly maintains the status quo – that is, lessees will be required to continue to classify leases as either finance or operating leases for tax purposes, and only the former will result in the potential restriction of the finance charge under the corporate interest restriction rules, as is currently the case. This means that, for many lessees, the new finance charge will be taken out of the corporate interest restriction.

The transition to IFRS 16 could also have implications for the loss carry-forward restriction rules as the profile of a company’s expenditure changes in relation to leasing property, and this will generally mean bringing forward expenditure; however, the spreading means that there is a lower likelihood of a loss occurring as a result of a one-off adjustment.

Additionally, groups need to consider the deferred tax implications of the IFRS 16 changes. There are other, further implications arising from these changes for long-funding leases, but property leases do not, generally speaking, fall under these provisions.

All users of property – and particularly those such as retailers with significant property portfolios – should consider the implications of the changes.

*This article contains general guidance and does not constitute professional advice. You should not act on the information in this article without obtaining specific professional advice.*

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According to prediction

There are two key reasons that some of the world’s leading companies are moving to predictive workplaces, says Christina Tubb: talent retention and return on investment.
Indeed, that technology has now assumed such strategic importance that it has its own moniker: property technology, or proptech.

The first law of proptech and the predictive workplace is to focus on the user. That means making tech investments with the employee in mind, as corporate tenants today want an office that will appeal to prospective employees. Organisations also want office space that keeps their people engaged and productive, reflecting a shift in strategic emphasis among both employers and the commercial real-estate sector from traditional portfolio right-sizing towards individual employee empowerment.

Maximising the value of real estate will continue to be a high strategic priority. Besides helping organisations win the war for talent by elevating employees’ workplace experience, a wisely selected and well-used predictive workplace system can pay for itself in a number of ways. For example, an office that is equipped with wayfinding technology — sensors, signage and so on — can help Sally and Sam locate the desk or office where they’ll be working and the colleagues with whom they plan to collaborate on a given day. This translates into significant, quantifiable time savings and productivity gains.

By equipping a building with sensors that collect data on how various workspaces are used and tying those data to analytics tools to identify trends, a company gains valuable insight into space use by location, person and department. Data and analytics also can help inform office space design and configuration to maximise use, collaboration and real-estate value. That has proven to be the case for one of my company’s clients, a major US-based accounting firm with offices in more than 100 countries.

Seeking a better understanding of space use at its New York city headquarters, the firm invested in software that helped it to collect and analyse data that revealed, among other things, that only 49% of assigned offices were being used, while transient employees were using just 67% of flexible hotel space. With this insight, the company was able to vacate six floors and sublet another three for a saving of $85m over five years. By applying a similar approach to another of its offices, the firm expects to save an additional $97m over the same duration.

The return on investment should also account for the substantial recruiting and hiring costs an organisation stands to avoid as a result of proptech that personalises the workplace and keeps talent engaged.

**Introverts or extroverts**

Predictive workspace technology gives companies the means to gather anonymised data on people’s activities, such as Skype use at their desk and their encounters with others in the office, as well as their self-declared preferences for technology, desk position and other features. With that data, an organisation can build individual profiles for each employee to shape the predictive experience. Then, by layering this with other data such as meeting satisfaction ratings and historic favourites, these profiles can be developed to allow the organisation to predict and propose solutions to problems it might not even know it has.

What’s more, these profiles can help inform workplace design. For example, by evaluating the similarities between the most commonly booked rooms, organisations can identify what kinds of employees prefer and, in turn, provide more of these spaces. This data-driven approach to interior design helps organisations provide more enjoyable and productive spaces for their staff with minimum risk.

Historically, commercial real-estate has taken a one-size-fits-all approach to the workers who use their buildings. Today, however, the organisations that excel at attracting, retaining and engaging talent are those that recognise that individuals need different environments and experiences to thrive at their work. The open configuration may be ideal for extroverts such as Sally; but what about people such as Sam?

“We need space for introverts to put their heads down and concentrate,” one client said to me recently, “and we need places for extroverts to collaborate. We need cross-departmental teams to come together and resolve problems quickly. At the same time, we can’t expect our employees to spend hours trying to figure out how to make this happen. I want the technology to solve this for them.”

A predictive workplace should proactively provide people with a tailored workspace experience without requiring use of multiple apps. A predictive mobile app would know Sam’s office preference and book his space accordingly, whether he’s in London or Berlin. Sensors inside the office could then automatically check him in when he arrives.

Such a system would also need to recognise nuance in data. Just because Sam booked the boardroom once doesn’t mean he wants to hold all his meetings there, so that digital predictive platform must have the ability to provide a 360-degree view of employees as human beings to ensure this personalisation. Without that frictionless experience, these machine-learning-powered predictive tools can become a nuisance, rather than conveniently enhancing experience as they are designed to do.

**Privacy**

As data-reliant as a predictive workplace technology is, data security and privacy are paramount. Thus organisations must also ensure that their predictive systems prioritise the sanctity and anonymity of the data they collect and analyse; if an employee believes their personal information is exposed, compromised or otherwise vulnerable to abuse, they may not want to remain an employee for long.

One way to address privacy concerns is to create and publicise internal policies so employees understand exactly why the organisation is using predictive workplace systems, how the data they collect is being used and not being used, and the safeguards that exist to protect and anonymise their personal data. Once employees understand how these systems work and how they can enrich the workplace experience without jeopardising their personal privacy, they’re likelier to buy into the idea. An organisation might also enable employees to use privacy measures for certain meetings or interactions, such as an app to switch sensors in an office, conference room or desk to privacy mode.

In tight labour markets, predictive workplaces that create personalised experiences differentiate an organisation in the eyes of the talent it seeks to attract and retain. When employees such as Sally and Sam can engage with a workplace on their own terms, they are likelier to remain high-value employees over the long run, thereby giving their organisation an edge in the war for talent.

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Related competencies include:

Workspace strategy
Maintaining a comprehensive valuation file is essential in case claims come to court, caution

Tom White and Claire Curtis

File charges

Surveyors should always adhere to professional guidance, much of which has been developed in response to negligence claims against valuers. While there is a temptation for best practice to lapse given the pressures of a busy workload and tight deadlines, a lack of documentation in a valuation file can leave a surveyor exposed to the risk of a claim that, even if found without merit by a court, can result in wasted time and costs, considerable stress and reputational damage.

By taking a few simple steps and ensuring that these become routine best practice on every valuation, valuers can minimise this risk, or at least help cut a claim short at the earliest opportunity.

Back to basics
The Red Book establishes the mandatory rules and professional standards for valuation practices and processes, and RICS guidance notes provide supplemental direction and assistance along with a clear framework of best practice for surveyors to follow. The court will often review and take into account all such professional guidance when considering an allegation of negligence against a surveyor and assessing whether they acted with reasonable skill and care.

This professional guidance provides the foundations of property valuation, which are second nature to most experienced surveyors. However, even the most diligent are susceptible to commercial pressures and time constraints, which can mean they do not fully record all the steps they take and the reasons they reach particular decisions on a given valuation. In many instances this may not be an issue; however, there can be a risk that a valuation may later be called into question, particularly if markets subsequently decline, borrowers default and financial institutions seek to enforce their security over the properties that have been valued.

If there is a shortfall in the recovery, lenders will often explore whether there was an error in the valuation process and, if there was, look to the valuers and their professional indemnity insurers to make up the difference. Even if the reported value was at or within an acceptable margin of the true market value of the property and thus should not be challenged, claims can be harder to rebut – and in particular to cut short – before trial if the underlying valuation file does not offer robust detail on the process followed by the valuer, the evidence on which they relied and the decisions made on the way to reporting the final figure.

Gaps in the file may be exploited by the claimant’s legal team, and this can present difficulties for the defendant firm. Those difficulties are exacerbated if the firm finds itself in the position of having no witnesses to give first-hand evidence of what it did, which can happen where claims arise long after the valuation was carried out.

Scrutiny
Where a valuation is the subject of a claim, the file will come under close scrutiny by lawyers, independent expert witnesses and the court, who will assess whether the valuation was negligent. Many hours will be spent by parties in litigation analysing every aspect of a valuation and the file – often considerably more than was spent on conducting the valuation itself.

The defendant’s legal team will want to be able to give a rational explanation for every decision made by the valuer, with reference to clear and persuasive evidence, in order to satisfy the court that they exercised their judgement in a reasonable and coherent way on the basis of relevant evidence, rather than having applied a general feel for the market. It should follow that the more analytical the valuation is and the more supporting evidence there is on file, the better the prospect of it standing up to scrutiny in a claim, and the easier it will be to rationalise the valuation and rebut any challenges.

Consequently, it is often important for the key decisions in a valuation exercise to be recorded in the file so as to provide a clear audit trail that succinctly explains how and on what basis the valuer reached their opinion of market value. This is equally as important whether a valuation is prepared by one surveyor or a team. While it may seem contrived and unnecessary to prepare a written record of a decision when there is only one surveyor and no discussion has taken place, it is nonetheless important.

A record of the decision-making process becomes even more pertinent for complex valuations, such as residual valuations with multiple moving parts: these can be the subject of more
substantial claims because the residual calculation can have an amplifying effect, even when only small changes are made to the inputs.

Where the property being valued is the subject of a contemporaneous transaction and purchase price evidence is also available to the valuer, it can often be important to record in the file any evidence in addition to this on which the surveyor has relied in reaching their view on market value. The courts recognise that valuers cannot just blindly adopt a purchase price as market value, so the valuation ought to be supported by any other available evidence.

If the property has been undervalued when sold and thus a valuation is higher than the contemporaneous purchase price – often a high-risk approach – a detailed explanation justifying that approach is essential. In the absence of such an explanation, the valuer may find themselves an easy target if a claim is subsequently made.

Every detail counts
Ideally, we would all have time to record every single decision and conversation in beautifully typed notes. However, the practical reality is that this is not always possible owing to the time constraints and commercial pressures of a busy practice. However, even a handwritten bullet-point note or a quick email explaining a surveyor’s thought process, if kept in the file, can be helpful in clarifying and justifying why a decision was taken.

In addition to recording decisions, a valuation file should include evidence of the research undertaken by a surveyor to help form their view on market value. This is particularly important in relation to the collation and analysis of comparable transactions and discussions with local agents. These steps do not always find their way into the file, which can present difficulties if the valuation later has to be defended – particularly if there is a lengthy gap between the valuation being undertaken and a claim being made.

Similarly, it can be important to retain a record of all correspondence, whether internal or external, so it can be reviewed and considered by the legal team should a valuation be challenged. But every professional should bear in mind that, in the event of a claim, all documents relating to the valuation will be seen by the court and both parties’ legal teams. Consequently, you should only put something in writing if you would be happy for it to be read out in court – which means no rude emails.

The prevention principle
In summary, a clear paper trail and a complete valuation file can greatly help the legal team defending an allegation of negligence. It can clarify why particular decisions or steps were taken, which may enable a robust rebuttal of the claim. This can be especially helpful in instances where the original surveyor is no longer available, or is unable to recall events thanks to the passage of time.

The approach with regard to documenting decisions should remain the same no matter what the scale of the valuation is – a complete valuation file should be best practice for every surveyor on every instruction. As Benjamin Franklin said, “an ounce of prevention is worth a pound of cure”.

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Related competencies include: Valuation
Third-party professional indemnity insurance may not offer protection from theft and fraud, warns James King

**Are you exposed?**

The large sums collected in rents or held in bank accounts to cover service charges, maintenance and sinking funds make an attractive target for fraud or theft. Many landlords, freeholders and management companies see mitigating and insuring against the risk of such financial crime as the managing agent’s responsibility – but this could turn out to be a costly assumption.

**The limits of PII**

The problem is that too much reliance is placed on managing agents’ professional indemnity insurance (PII) policies as a catch-all way to cover any losses, without considering the potential limitations.

For a start, suppose the managing agent themselves is involved in the fraud or theft? Unlikely, you would hope, but still possible. PricewaterhouseCoopers’ 2018 Global Economic Crime and Fraud Survey found that more than half of frauds have been committed by employees, so there’s a huge element of trust here (https://pwc.to/2sKL1xF).

Where a managing agent steals funds, this would fall outside the scope of their PII. Suing the company may not offer protection from theft and fraud, warns James King.

**Taking control**

At issue here is visibility and control – or lack of it. By relying on third-party PII policies, landlords, freeholders and management companies cannot be sure exactly what is covered, how much protection they actually have, and the exclusions or other terms and conditions to which it is subject. Even more importantly, since it is not their policy they have no rights to make a claim under it – only the insured party can do that.

So if the company that took out the insurance is no longer in existence, then neither is the PII policy. Proactive steps are needed to fill these gaps in insurance coverage. It’s clear that third-party PII is not enough, and specific crime coverage is required. It may be that a managing agent has its own crime insurance policy.

However just as with PII, where the policy would be in the managing agent’s name, any landlord, freeholder or management company cannot be sure exactly what is covered, and neither do they have any rights to make a claim against it.

As such the best option is for clients to take out their own crime cover, to ensure that they have the level of protection they need and are in control of it. Crime cover tends to be incredibly broad in scope, providing enormous assurance and comfort to those insured. It’s also comparatively inexpensive, so it is perhaps not surprising that demand is growing significantly.

Insurance is all about peace of mind: but there’s a legitimate concern that the property sector’s high expectations of the protection given by PII might not be met. Given the risks posed by ever-evolving fraud tactics, specific coverage for financial crime is a sensible precaution. No matter how good your relationships with managing agents or how competent or reliable they are, it’s not something that should necessarily be left to others. There’s too much at stake.

James King is Senior Executive, Clear Insurance james.king@thecleargroup.com

Related competencies include Insurance

**Broker top tips**

- Check the lease to see whether there are explicit requirements to insure funds against theft – if the proper cover is not in place, you could be in breach.
- Check with third-party agents what insurances they have and what the terms are, to see whether assets are properly protected.
- Consider becoming co-insured on a managing agent’s crime policy; though bear in mind this may not be suitable or available in most cases.
- Investigate getting your own crime cover – this is likely to be the safest option for the majority and should not be prohibitively expensive.
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With intangible assets and intellectual property in particular assuming greater importance in the market, Nat Baldwin offers insight into making valuations that can inform corporate decision-making.

**Intellectual development**

In corporate culture, there are few areas that cause as much cynicism and distrust as the valuation of intangibles and intellectual property (IP). Yet most are comfortable with the self-evident truth that IP now drives our economy, and as it receives ever-greater investment the trend towards valuing such property appears inexorable (see Figure 1).

Intangible assets can be the most valuable in a company for myriad reasons, and everyday value is being assigned to companies whose asset strength is entirely intangible. To say that the most valuable companies in the world are so is not an exaggeration: of intangibles and intellectual property (IP), Facebook and Google are recognisable examples include Facebook, Microsoft and Apple, with 80% of the market capitalisation of each said to be attributable to its intangible value. This is not only true for tech giants, and the value of intangible assets, including IP, pervades all companies in all sectors. It can be and often is the driving strategic force in a merger, acquisition or joint venture.

Unfortunately, intangible asset disciplines have not progressed at the rate they should have, and practices have lagged behind as advisors struggle to get to grips with the class. In the current asset-based lending climate, with a trend towards finding and leveraging as many valuable assets as possible, it is perhaps surprising that these disciplines have not caught up.

A number of the world’s largest organisations, representing $20tr under management, are therefore seeking to introduce an alternative method of reporting company performance to investors that includes intangible assets such as brand value and company culture. The coalition includes more than 20 companies and investment funds, such as Nestlé, PepsiCo and Unilever.

However, a core issue to address is that current accounting standards do not allow for intangibles to be stated on a reporting company’s balance sheet unless they should have, and practices have lagged behind as advisors struggle to get to grips with the class. In the current asset-based lending climate, with a trend towards finding and leveraging as many valuable assets as possible, it is perhaps surprising that these disciplines have not caught up.

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However, a core issue to address is that current accounting standards do not allow for intangibles to be stated on a reporting company’s balance sheet unless the latter is attached to a company or business and cannot be sold or purchased independently. This could include the skill and expertise of the management team in a company, but also its reputation and its customers’ loyalty.

**Figure 1**

Components of the Standard & Poor’s 500 market value

*1 January 2015
Source: Ocean Tomo LLC

**Tangible assets**

**Intangible assets**

**Beyond the balance sheet**

There are a host of reasons and contexts for having IP valued, beyond ensuring that the balance sheet stacks up. For simplicity’s sake, we can describe these as falling into two categories, transactional and non-transactional purposes. Transactional valuations are required for matters relating to: mergers, acquisitions and disposals; capital allocation decisions; price negotiations; IP licensing; fund-raising; and insolvency...
and restructuring. For non-transactional purposes, the requirement may arise as a result of: shareholder disputes; IP disputes; litigation; project evaluation; rates of return and discount rates estimation; and financial reporting, compliance and good governance.

For the former set of purposes, it can be critical to recognise intangible value as this might often be the only source of value for a company’s assets, or be critical to achieving a business goal. In 2011, for instance, UK firm TUI Travel used two of its brands as collateral in a deal with pension fund trustees with the aim of plugging a £400m deficit. In a pioneering move, the company used its intangible assets as leverage, whereas previous deals of this kind had leveraged property assets – a notable example being the deal carried out by Deloitte for Marks & Spencer. TUI had none of these, and thus resorted to its intangibles.

However, transactions of this type have been slow to take off. The UK Intellectual Property Office published a report calling for small and medium-sized enterprises, lenders and other financiers to raise their awareness and appreciation of IP beyond patents, and to put this to practical use for business innovation and growth. This was almost five years ago.

Even so, its message remains as significant today as it did then. Asset-based and alternative financing methods should be targeted for IP-backed interventions; these are the parts of the financial sector best accustomed to understanding and assessing individual assets and their value, as well as putting this to use. Table 1 sets out the estimated intangible value in large-scale organisations. However, it must be said that there are areas where IP value is intrinsically linked to and operates in tandem with tangibles, so work must be done with other valuation professionals to deduce an accurate overall valuation for a group of assets.

Valuation will be relevant only to a specific place, at a specific time and in specific circumstances. IP carries significant value both when businesses are healthy and when they are in distress. As I have discovered through years of personal experience in disposing of IP, there is a growing, sophisticated marketplace for assets as a discrete class. Many companies in the unfortunate position of having to liquidate assets have been pleasantly surprised by IP’s capacity to generate substantial recovery values.

Valuation techniques
Understand the methodologies, core concepts, industries and intended use – tax, financial reporting or so on – requires

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Estimated brand value* (US$m)</th>
<th>Book value of intangible assets (US$m)</th>
<th>Estimate relation of brand value to book value of intangible assets</th>
<th>Enterprise value (US$m)</th>
<th>Proportion of enterprise value represented by brand value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apple</td>
<td>178,119</td>
<td>8,620</td>
<td>20.7x</td>
<td>636,745</td>
<td>28%</td>
</tr>
<tr>
<td>2</td>
<td>Google</td>
<td>133,252</td>
<td>19,775</td>
<td>6.7x</td>
<td>459,952</td>
<td>29%</td>
</tr>
<tr>
<td>3</td>
<td>Coca-Cola</td>
<td>73,102</td>
<td>21,128</td>
<td>3.5x</td>
<td>200,788</td>
<td>36%</td>
</tr>
<tr>
<td>4</td>
<td>Microsoft</td>
<td>72,795</td>
<td>21,605</td>
<td>3.4x</td>
<td>422,303</td>
<td>17%</td>
</tr>
<tr>
<td>5</td>
<td>Toyota</td>
<td>53,580</td>
<td>–</td>
<td>N/A</td>
<td>293,132</td>
<td>18%</td>
</tr>
<tr>
<td>6</td>
<td>IBM</td>
<td>52,500</td>
<td>40,887</td>
<td>1.3x</td>
<td>190,496</td>
<td>28%</td>
</tr>
<tr>
<td>7</td>
<td>Samsung</td>
<td>51,808</td>
<td>4,684</td>
<td>11.1x</td>
<td>162,261</td>
<td>32%</td>
</tr>
<tr>
<td>8</td>
<td>Amazon</td>
<td>50,338</td>
<td>4,638</td>
<td>10.9x</td>
<td>356,954</td>
<td>14%</td>
</tr>
<tr>
<td>9</td>
<td>Daimler AG</td>
<td>49,490</td>
<td>3,471**</td>
<td>12.5x</td>
<td>178,232**</td>
<td>24%</td>
</tr>
<tr>
<td>10</td>
<td>Mercedes-Benz</td>
<td>43,130</td>
<td>86,900</td>
<td>0.5x</td>
<td>423,107</td>
<td>10%</td>
</tr>
</tbody>
</table>

the experience and expertise to produce a quality IP valuation analysis that is reasonable and auditable. The rule of thumb here is that which is applied in all commercial valuations: it cannot be done without proper context. Therefore the following questions must be answered before a valuation is carried out: what is the purpose, and for whom is the valuation being performed? Due to IP’s unique nature, it is also worth noting that the valuation will be relevant only to a specific place, at a specific time and in specific circumstances. Largely, though, a market approach, income approach or cost approach is followed.

Market approach
The market approach measures the value of an asset by comparing recent sales or offerings of similar or substitute property and related market data. The two primary market approach methods are the similar transactions method and the market multiple method.

The unique nature of IP means that, even if sales values for comparable IP are available, adjustments are required for differences in the asset’s utility and for factors such as the relative market conditions at the time of the sale and the asset’s remaining economic life. However, once intangibles are more thoroughly considered and attributed a value, particularly in distressed scenarios, this approach is likely to become more reliable. Developing IP valuation practices means recognising the importance of market intelligence, and Hilco makes use of the data obtained from its worldwide asset disposition and acquisition activities to this end.

Income approach
The income approach uses a discounted cash flow methodology such as net present value to value an intangible asset based on income and expense data. This approach measures the present value of expected future returns from the intangible asset. There are many income approach methods, though the International Valuation Standards 2017 draw our attention to the following: excess earnings method; relief-from-royalty method; premium profit method or with-and-without method; greenfield method; and distributor method.

Given that royalty data relative to IP transaction is more widely available, the most frequently used method is relief from royalty. This considers what the purchaser could afford, or would be willing to pay, for a licence of similar discrete assets such as a website that has just been created by a third-party contractor at a known cost.

Cost approach
The cost approach uses the cost information to value an intangible asset. The two major costs used in practice include the following: development cost – that is, the cost to create – and replacement cost – that is, the cost to re-create. This assumes that there is a direct correlation between cost and value; in reality, the approach is not as reliable given the frequently non-linear relationship between the development cost of certain IP and its value.

This is reflected in a situation where millions of dollars are incurred on unsuccessful research and development of technology that has negligible value, or little is spent on technology that proves to have significant value. However, the approach can have its uses in specific circumstances, particularly in relation to IP rights. The royalty stream is then capitalised reflecting the risk and return relationship of investing in the asset.

Conclusion
Intangible resources are now the most valuable elements in an organisation, although they can also entail the greatest risks if they are not well managed. Companies are increasingly appreciating the value of their intangible assets. Over the past 12 years, when the Standard & Poor’s 500’s value increased 102%, brands in the global top 100 with the strongest brand equity increased 172.1%.

With stakeholders better appreciating intangible assets’ value, their valuation is an area of huge potential growth and demand. It is expected that, in the coming years, techniques will become further homogenised and IP valuations will take centre stage alongside more traditional forms such as real property and business valuations.

“Ir

IP carries significant value both when businesses are healthy and when they are in distress.

Nat Baldwin is Director, Valuation Services Europe, Hilco Global
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Related competencies include
Valuation, Valuation of businesses and intangible assets.
Natural benefits

Ed Suttie explains how biophilic design can nurture us in the workplace

We all know the benefits of exercise and a good diet. But what about the buildings in which we spend most of our lives? We isolate ourselves from nature at home, at work and in daily life, and evidence abounds that this is to our detriment.

The relationship of health and well-being with buildings is complex, and depends on how we perceive and experience them. You might ask: what materials are around me? Why do I get a headache working here? Why am I calm in this space? Why am I hot when my colleague feels cold?

The WELL Building Standard, Fitwel and other certification schemes have directed attention towards the health and well-being of building occupants, and in offices this has also helped improve productivity (see www.wellcertified.com and www.fitwel.org).

These schemes also raise questions never before asked of construction and refurbishment projects. According to the World Green Building Council, staff and their benefits make up 90% of the costs of an office-based company, so it would seem wise to pay attention to people and their needs (http://bit.ly/2jRYMBx).

Inspiring design

Harvard professor Edward O. Wilson concluded in his book Biophilia that we have an inherent connection to nature, and a biological need for physical, mental and social connections with it.

The natural world therefore has a part to play in everything from our health and well-being to our livelihoods and the economy. The construction industry is no exception to this, so to integrate it with nature more effectively we can follow the principles of biophilic design, a concept that takes account of many features in workplace environments that can support health and well-being.

Research has shown that being in natural environments or even viewing depictions of nature has a positive impact on our well-being. Natural environments can alleviate negative emotions such as anger, anxiety, depression and stress, while helping us feel calm and be inspired. Biophilic design brings us into contact with nature in the built environment.

Leading offices in London and elsewhere are already designing environments around their occupants’ health needs – maximising natural light, clean air and so on – as well as considering the business case. These projects are prompting conversations and grabbing headlines, but building owners and facilities managers also want to know what they can do within limited budgets and the need to ensure a return on investment. As hard evidence has been lacking, the Building Research Establishment (BRE) has begun a biophilic office project (http://bit.ly/2soP3ej).

Live office

BRE and Oliver Heath Design, supported by a number of partners that produce green walls, lighting and flooring or deal with furniture and acoustics, started the research project to strengthen the evidence base for biophilic design and its positive effects on office occupants. The aim is to help realise the exciting potential of our existing buildings.

A live office refurbishment on the BRE Watford campus is providing robust indoor environment and occupant data. Baseline information is being collected this year in the existing building to quantify how it functions now, covering such characteristics as acoustics, light, air quality, thermal comfort and materials, including floor tiles, paint, doors, walls, lighting and services as well as occupants’ health and well-being. The next stage is the biophilic refurbishment, after which office and occupants will be monitored for another year. A control environment has also been established, which will remain unchanged throughout the study.

The long-term findings are intended to improve understanding of the influence of biophilic design and product choices on occupants. The project will result in open guidance for facility managers, developers and building owners and occupiers, while professional institutions including RICS and the Chartered Institution of Building Services Engineers will use the findings to better equip their members. It could ultimately inform the Health and Wellbeing category in BREEAM as well.

Biophilic refurbishment doesn’t have to be extensive or expensive – the choice of floor covering, wall paint and lighting all have significant biophilic qualities – and choices informed by research evidence can help create positive, healthier and more energising workplaces for the future from the offices of the past.
Something to feel good about

The workplace can have a significant impact on employee well-being and vice versa. **Elina Grigoriou** discusses what the term means, and what steps employers can take.

Well-being is like friendship, which as C.S Lewis said is not a necessity in life but rather a reason to be alive. Many of us can fall slowly, imperceptibly even, into just getting by – a state we normalise, and think that things can’t be better.

It is important to define and understand what well-being is, as is having the knowledge to inform whether and how we want to support it in our organisations and communities. How would you describe well-being, and how many times in your day, week, year or life do you think you have experienced it? This is the most important detail: if we don’t understand what well-being is on a personal level, how are we expected to help others ensure it for themselves, respond to client requirements for well-being, and know whether it is supported by a project or not?

Well-being is a state of health and comfort in all parts that make up a human being, and results in the experience of happiness and wellness. Well-being is experienced when our physical body is free of pain, feels light, healthy, agile, alert and at ease. It means our mind is clear, bright, perceptive and efficient, information is taken in and analysed easily, learning is effortless, memory is fresh and we can use our reason to process thoughts. Well-being is experienced when our emotions are clear and we respond to others near us; where generosity, positivity and a sense of unity exists with people around us; where love and care can be demonstrated naturally without expecting a return.

Well-being in the workplace specifically refers to the way a company or organisation responds to these qualities in staff and the people who interact with them as part of their work. During a working day, a person will be in spaces and situations that have positive or negative effects on their mind, body and heart. A person’s well-being in the workplace is affected by issues ranging from how they process thoughts to what they eat and drink and what they do physically – and to the emotions they experience as part of their work or as outputs of it.

**Whose responsibility?**

Although the issue of well-being has been silently added on to the remit of the person responsible for health and safety or sustainability, a better way needs to be found of introducing it and integrating it into workplaces. There are numerous new titles given to people charged with finding out about their colleagues’ well-being and guiding their company or organisation towards adopting it as a concept, or complying with some uniform good practice guidance.

It is in fact very interesting to view how each corporate culture affects the way well-being will be understood, adopted and integrated. A related concept is how safe that responsible person feels in their position, which influences their ability to show when they lack knowledge and demonstrate their keenness to improve – which is the case with most such roles. Some organisations will take on specialist advice to kick-start their approach, until someone has been given an internal remit; this would seem the most appropriate approach currently. Larger organisations that can afford and warrant one or more full-time roles to implement and steer a programme for staff well-being tend to give these staff titles such as well-being manager, wellness officer, health and well-being director, or so on.

In smaller businesses this function can be tucked into the HR team’s duties, but it can be difficult to implement as staff can on occasion be tied up with disciplinary issues or hiring and firing, and this can affect conversations about well-being. This is not to say, though, that the HR team is not – like all other teams in an organisation – part of success or failure in supporting staff well-being.

Let’s consider the different qualities of emotional, physical and cognitive well-being. If shop staff are being treated badly by customers in a systematic way, for instance, this will have a negative impact on their emotional well-being. If on the other hand the same staff are constantly having a positive impact on their customers’ experience and receive positive comments for it too, their emotional well-being will be supported, thanks to the acknowledgement that they are doing the job correctly, contributing to the company’s success, pleasing their managers and knowing that customers leave satisfied.

Well-being is a dynamic issue needing ongoing observation.
Where physical well-being is concerned, take the example of a university lecture room: if auditorium design and seating incline is such that the lecturer needs to lift their head up to make eye contact with the students in the highest seats and ensure they feel included, it will affect the back of their neck, and after an hour or more they will start experiencing discomfort or even pain. This pain may not be strong enough to warrant a major response and it may be suffered silently at the time. However, if this happens two or three times a week over a number of years, it can create a long-term physical issue that will initially affect their resilience, and then over time their physical health and well-being, and subsequently their overall well-being.

In an office setting, we could consider the way the interior affects the cognitive well-being of staff; if the space or the way staff behave creates distractions, then people’s attention will be distracted frequently, not allowing them to finish a piece of work in good time or making their thought processes harder. The more the brain can function without such disturbances and with lightness and ease the more it is “in the zone”, in the words of Alasdair White, and the better thoughts and solutions it can create.

The above examples affect a number of roles in any organisation, so when

Many of us can fall slowly into just getting by

we are considering who is taking on the responsibility of staff well-being, it is clear both that:
- it needs to be driven by a leader, a person who is purely dedicated to this role, ideally with some existing knowledge
- well-being must be integrated into, and considered by, every department and all roles.

The right questions

What is important to understand when considering well-being in the workplace is that it is a dynamic issue needing ongoing observation, and that doing this will reap benefits for both a company and its people.

The first steps in any organisation are to consider how the emotional, physical and cognitive well-being of staff could be affected. Encouraging conversation and observing teams at work are great ways to broach high-level topics and work out an agenda for discussion. Speaking directly with staff is the most powerful and insightful avenue, and in its own right supports their well-being.

Someone actively listening to you when you share something, without simply waiting for you to stop so that they can say what they want, who is not performing another task at the same time or trying to provide immediate solutions to what you are sharing, is often the biggest investment that employers can make in your well-being and enhancement of your resilience.

Once issues are known, then it can be decided whether they are either high in priority or represent a critical situation for which specialist advice should be sought. The internal well-being team can respond to many issues once specialist advice has been sought and given, and an initial strategy has been agreed, with specialists dropping in to check at regular intervals.

Knowing how much management time and money to invest in staff well-being activities, and what changes should be adopted, needs to be reviewed using the Social Return on Investment methodology (see https://bit.ly/2uFCXQs or https://bit.ly/2LeJyJ5). This enables you to compare the value of what you will be getting back with the value of what you are investing. However harsh it may sound, not all measures that might support staff well-being can be implemented at any one time, whether due to the existing company culture, limited budgets or team capacity.

An understanding of the limitations that a workplace has for an individual’s well-being is important. Their personal life, the socio-political situation and natural conditions are also highly significant. So although there are limits to the effect that improvements at work can have, this does not remove the daily impact of work and the opportunity it presents to support people. If a person’s well-being is supported at work when they are undergoing a difficult time personally, their resilience will be higher, they will pull through quicker, and they can grow as a human being as a result of the experience.

The most important issue, though, is to highlight the responsibility individuals themselves have to make a choice to be well. Companies may appoint a busload of specialists and throw millions at a person’s needs, but in the end we all need to choose to be well. Well-being is not something an employer or colleague can give anyone if that person chooses to enjoy being miserable or in discomfort. Sometimes we get used to such states, and feel safe within them.

The physical environment nevertheless has a significant impact and offers opportunities to support staff well-being. This could be in the way an office or shop is designed, or the way a school, train station or outdoor park adds value to the societies it serves. But this is a topic for a further article. ☞

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Pressing the right housebuilding buttons

Members respond to Jan Ambrose’s article on UK housing supply

The housing shortage seems to be a great way for the major political parties to make grossly exaggerated and unfulfilled pledges of how many homes they would build if returned to power.

The RICS policy team and members take a far more reasoned approach. They do not think that solving this long-running crisis involves building hundreds of thousands of new homes on green belt and flood plains in an already overcrowded country. It is essential, they believe, to reform outdated planning regulations, encourage senior citizens to move out of houses that are far too large for them, bring empty homes back into use and develop new construction methods – in short, to get everyone in the property market to work together.

Here are edited comments received in response to “An holistic approach to the housing shortage” (Property Journal July/August, pp.38–9).

Phillip Russell
Phillip is Director of One Oak Development, a property development and land acquisition company based in the South East of England. A small builder-developer (SBD), who by definition builds fewer than 50 dwellings a year, he describes many SBDs as frustrated chartered surveyors.

Phillip says: “At the turn of the 21st century, SBDs made up the builders of 50% of all homes in the UK. Now they are responsible for only 12% - so look no further for reasons why we are short of dwellings in the UK.

“My primary issue is the difficulties with planning, which is why I have emailed Lord Porter, government sponsor of the National Planning Policy Framework.”

He asked Lord Porter why it cannot be mandatory for every local authority to specify its five-year housing needs against set criteria and then have the government’s independent assessors validate them. Councils would be fined if they did not then fulfil these plans, forcing them to become proactive in providing housing.

Phillip continues: “The term ‘good design’ should be eliminated or given more definition. This would allow planners to reject schemes, Currently, it is mandatory to replicate the house nearest to the development, which stifles any creative scheme that could greatly enhance the environment. Look at the many bland housing estates throughout the UK.

“To say that all green-belt development is ‘inappropriate’ unless exceptional circumstances can be proved is not good enough, particularly when housing needs cannot be met. If green-belt development is to be sacrosanct, the guide must clearly allow planners to relax their strict requirements for brownfield sites, where development costs are presently prohibitive.

“Pre-application advice has now become a fee-earning business that pulls resource away from the valuable service of assessing full planning permissions. To date, we have found no correlation with what we have been told at pre-application stage and what we must submit for full planning; often, we have had to revise the scheme totally during full submission.

“More expensive supporting information must be submitted with planning, reducing the schemes we can pursue. We find this information rarely affects the decision and is merely an expensive tick in the box.

“Planning policies need to have a more mandatory policing. They are growing all the time but becoming ever vaguer, so are open to different interpretation and effectively useless.

“Where a developer’s appeal is successful, their full costs should be paid by the council, which should be fined for wasting time in extreme cases. Currently,
recommendations that these have been done with the whether anything has granted is spot on. When planning permission is maintaining there is sufficient social and affordable housing, appropriate way to provide 106 agreements are the most the last issue – that section 106 agreements are the most way to provide social and affordable housing, maintaining there is sufficient data to prove his point. Ray thinks the Barker Review’s finding that landowners and developers see big windfalls when planning permission is granted is spot on. However, he is unaware whether anything has been done with the recommendations that these increases in value should be shared with the local community. This, he believes, is the root of the problem. He remembers spending many wasted hours coming to terms with the Community Land Act 1975, a failed attempt to address this issue.

Ray suggests zoning land for social housing and gaining irrevocable permission for this alone. This would force land values down, allowing social housing to be provided at realistic costs; developers could still be involved in construction but at an agreed profit margin. Ghettoes could be avoided by zoning small plots in villages and towns or smaller areas of large-scale developments; landowners could still realise values above present use, but below the prices achieved for developments of large four- to six-bedroomed properties, which are not in short supply. Importantly, this does not involve taxation.

Increasing the supply of good-quality small one- to two-bedroomed social housing would enable local authorities to encourage single occupants of larger properties to downsize. In Ray’s experience, the lack of available good-quality smaller units in the immediate locality is deterring elderly tenants from downzoning.

**Ray Dennett**

Ray retired eight years ago from his role as a regional surveyor with the Halifax bank, where he had close contact with major housebuilders. He believes that nothing has changed since then.

He challenges Andrew Taylor’s view expressed in the last issue – that section 106 agreements are the most appropriate way to provide social and affordable housing, maintaining there is sufficient data to prove his point. Ray thinks the Barker Review’s finding that landowners and developers see big windfalls when planning permission is granted is spot on. However, he is unaware whether anything has been done with the recommendations that these increases in value should be shared with the local councils are unfazed about rejecting an application – they know most SBDs cannot afford to appeal.”

Phillip is concerned the SBD is close to extinction. Despite political parties saying they want to help small businesses and solve the housing crisis, they neither ask for SBDs’ comments nor act on them.

**Mike Basquill**

Mike, RICS UK Residential Associate Director, responds to Ray: “I don’t think we will meet the current 300,000 annual new-build target using current measures – it’s not in the industry’s interests to oversupply, the construction sector has skills and supply-chain issues, and investment, planning and lending are not enabling. Looking at tenure mix and national income profiles over the past 100 years, we should be building approximately 100,000 subsidised rental homes annually.

“The housing associations can’t step up as the mixed-fund model is based on leveraging debt on their own stock, unless the social housing grant is vastly increased. They also have governance and accountability issues. “Ray’s zoning idea is on the right lines but would impact on lenders and investors due to the perpetuity constraint. This would have to be countered by an increased social housing grant, for which this government has no appetite. “The revenue account restrictions on local government development, plus the discounts attached to right to buy, have been disastrous for the supply of subsidised rental housing for those on low incomes. We now have the situation where local authorities can invest in shopping centres and multi-storey car parks to bolster reduced funding from central government. Meanwhile, homelessness costs and housing benefit have shot up.

“The off-site construction industry needs to be nurtured by government to achieve the 300,000 homes needed, given the capacity issues in the industry.”

**Richard Cheshire**

Richard, a long-retired member, makes a valid point:

“The article states that RICS members are in an excellent position to help arrest this decline, given their experience and ability to influence government policy.

“This requires an organisation to have virtual control of the area in which it operates. While that is substantially true for lawyers and chartered accountants, it is not the case for RICS. It is wrong that any Tom, Dick or Harry can carry out the largest financial transaction of a private person’s life. This should clearly be RICS, which should be leaning on government to achieve this.

“The government will argue that it does not create monopolies, but in recent years it has created one for financial advisors – have you tried to buy a pension product without paying one?”

His way of persuading older couples to downsize is to ban the practice of equity release. This could be achieved by removing the ability to have a mortgage after retirement or limiting holding a mortgage to the age of 75. He suggests that if the downsized property were 15% less in price and size then stamp duty would not be payable. To achieve this waiver, a certificate would need to be issued by an RICS member. I am grateful for these comprehensive comments. Future issues of the journal will carry full articles on members’ proposed solutions to the ongoing housing deficit.

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It’s not my fault

Sarah Woolnough looks at the section 21 court process and details how changes to the way that notices must be served affect both landlords and letting agents.

Obtaining possession isn’t always as easy as it would seem, as the following example illustrates.

My landlord client lets their property on an assured shorthold tenancy (AST) and the tenant has been living there for four years. The last signed agreement in April 2017 was for a fixed term of 12 months, the tenancy is now a periodic tenancy, and my client wants to obtain possession so their daughter can move in to the property while at university. They have served a section 21 notice as required, which has now expired, and instructed me to review the papers with a view to issuing court proceedings.

At first glance, this should be a relatively simple matter. However, as many landlords will be aware, the section 21 procedure has been changed for any tenancy that was granted or renewed after 1 October 2015.

The law

The Housing Act 1988 governs my client’s tenancy, as it covers ASTs. Section 21 notices, taken from section 21 of the act, provide that a landlord may terminate a tenancy by serving the tenant with at least two months’ notice. Providing this was served to bring the tenancy to an end following the fixed term – or, if it was periodic, that at least two months’ notice had been given – a landlord could obtain possession via this no-fault procedure. If the tenant failed to vacate the property, the landlord simply issued accelerated possession proceedings that, in most cases, were a paperwork exercise and required no court hearing.

Since 1 October 2015, a landlord must have fulfilled various provisions to be able to serve a section 21 notice and issue court proceedings. For any tenancy granted or renewed since that date, landlords have been required to provide tenants with the following documents at the start of the tenancy:
- a copy of the energy performance certificate
- an up-to-date gas safety certificate, if applicable

Additionally, if a deposit is taken, the landlord must ensure they have complied with the deposit protection legislation as set out in the Housing Act 2004. A landlord is also prevented from serving a section 21 notice during the first four months of the tenancy. Finally, landlords are now required to serve form 6A, a new prescribed section 21 notice.

If landlords have not met the above requirements, they are now barred from even issuing a section 21 notice. This means that if their tenant is not in breach of the terms of the tenancy, the landlord will not be able to get possession of their property.

Effect on the client

My client has provided me with all the relevant tenancy documents: the tenancy agreement, copy section 21 notice, covering letter serving the notice, and proof of service of the notice.

I go through a checklist when instructed on section 21 proceedings, discussing with the landlord whether they have met the requirements set out above. I also ask whether the tenant has notified them of any repairs that are required to the property, and whether these have been dealt with: a landlord cannot issue a section 21 notice if there is a repair issue outstanding. This is often referred to as a retaliatory eviction where a disgruntled landlord does not want to deal with such repairs and serves a section 21 notice to get rid of the tenant.

What to ask the client

If my client confirms they have met all the requirements before serving the section 21 notice, then I will ask for proof. Do they have anything signed by the tenant to confirm receipt of the relevant documents at commencement? Where any of these have been updated, I will ask for proof that this has also been acknowledged by the tenant. If my client proves that this was done before serving the section 21 notice, then I will be satisfied that proceedings can be issued, and if any points are disputed by the tenant I have the necessary evidence to counter this.

If my client has only partly met the requirements, or not complied with them at all, then I must advise that this cannot be remedied, and the section 21 notice is rendered invalid. Their options are then either:
1. to start the termination process again, after fulfilling the new requirements and ensuring they have proof of service of documents, meaning that obtaining possession is delayed by at least a further two months
2. to take their chances by

“A landlord cannot issue a section 21 notice if there is a repair issue outstanding.”

Image © iStock
issuing the proceedings and hoping the tenant does not raise a defence or the court puts the landlord to proof.

My advice to my client would be to go for option 1. But is scenario 2 ever likely? In short, yes. I acted recently in a case where the tenant defended on the basis that they had not been provided with the latest gas certificate for the property or the correct version of the How to Rent leaflet when the tenancy became periodic.

The matter did not go before the judge to be argued because the tenant was represented by the local Citizens Advice Bureau, and a deal for a possession order was agreed between the parties. It was, however, a costly lesson for the landlord as it significantly increased his legal bill.

Since then, there has been a county court case. In February 2018’s Caridon Property Ltd v Monty Shooltz, as yet unreported, the landlord appealed the decision by the district judge not to give a possession order for their failure to provide the tenant with a gas certificate at the start of the tenancy. The appeal was dismissed as it was held that the landlord only had one opportunity to serve the tenant with the certificate in force at commencement of a tenancy and that this could not be remedied, rendering the section 21 notice invalid.

Although this decision was not binding, the appeal judge in Caridon is held to be one of the leading practitioners on housing, and it is expected that other county courts will follow his decision.

Summary

Landlords need to ensure they have complied with the requirements and that they can get evidence of this. Good practice will mean that a landlord – or their letting agent – will ensure that the tenant signs copies of the documents served, or prepare a receipt setting out what was served, when and how and have that signed by the tenant. This can then be used as evidence in the court proceedings if challenged.

The Court Claim Form (N5B(E)) has also been changed and asks the landlord to confirm that the requirements have been met. A clever tenant can now raise a defence asking for proof, and without any documentary evidence the landlord’s claim is bound to fail.

In my experience, it is not only landlords who are falling foul of these requirements; letting agents also cannot show that they have complied or have documentary proof. This will lead to landlords incurring more legal costs when trying to seek possession. Letting agents may be affected where landlords try to cut costs by taking on management of the properties themselves, but if they don’t keep up to speed with the requirements it will still mean any claims for possession could fail. They will need to be able to show landlords that they are equipped to comply with the new requirements and have appropriate procedures in place to do so.

Sarah Woolnough is a chartered legal executive and member of the Dispute Resolution Team at Furley Page LLP

Related competencies include Housing management and policy, Landlord and tenant
Over the past three years, an average of £2bn in capital has been committed to the build-to-rent (BTR) sector, according to CBRE figures, by housing associations, quoted property companies and UK institutions and fund managers. There is heavy involvement from North America and significant continuing investment from northern European, East Asian and Middle Eastern sovereign wealth.

Undoubtedly, the motivation for those investing in the sector is net income return from a residential perspective, based on an asset class considered to have low depreciation and provide a secure income stream that could be a good inflation hedge over the long term.

To support this market, RICS published an information paper, Valuing residential property purpose-built for renting in 2014. The first edition of the RICS guidance note Valuing residential property purpose-built for renting, published in July, comes into effect in October and builds on this paper’s principles.

What the note covers
It is specific to the valuation of completed buildings, and applies to BTR property with the following typical characteristics:
- accommodation usually comprises at least 50 self-contained dwellings, or a concentration of a similar number
- the dwellings will be separately let, but held in unified ownership and oversight will be under a single entity
- the building or buildings may be specifically designed or adapted for rent and include some form of shared amenity
- the individual dwellings are usually let on assured shorthold tenancies (ASTs).

The principal approach to valuation is by reference to net income capitalisation, with benchmarking against an ungeared internal rate of return – typically over 10 years – and, where relevant, against the value of the individual dwellings sold on a unit-by-unit basis – their break-up value. It would be helpful for the valuer to follow the process shown in Figure 1.

Gross income
Currently, many BTR properties will be new and are nearly always different from equivalent accommodation in the buy-to-let market, offering services such as concierges, parcel delivery and grocery collection, or amenities including residents’ gyms and communal roof terraces. The layout might be designed specifically for renting or to have greater appeal for shared households.

BTR allows landlords to control the management of the entire building. The valuer should consider the usual fundamentals: location, specification, dwelling size and detailed analysis of current rents, as well as reflecting additional features. Potential ancillary income may include parking spaces, storage, services and utilities, and landlords should ensure that any such income is fully analysed and its value attributed if it would be reflected in bids by prospective buyers.

Valuers must think laterally if there are no direct comparables in the immediate locality, and the vendor must know how BTR properties in other locations are performing relative to local markets. Experience has shown that BTR schemes can achieve better rents than local averages, but the valuer should always be comparing like with like.

The RICS guidance note Valuing residential property purpose-built for renting, published in July, comes into effect in October.
Other considerations include length of tenancy, supply pipeline and restrictions on rents in the case of affordable privately rented dwellings. Landlords are increasingly offering terms of three years or more with break options in favour of the tenant, and annual rent review provisions that are typically indexed.

Operating expenditure

As residential property is typically let on an AST, most outgoings fall to the landlord rather than the tenant. The valuer must assess the appropriate amount of irrecoverable expenditure required to secure and maintain their gross income.

How these costs are categorised and what different owners include varies, but many are attempting to standardise these. The guidance note adopts the categories used by MSCI in calculating its residential index, as illustrated in Figure 2.

It is anticipated that, as the sector matures, valuers will have access to historic operating costs from the subject property that can be analysed and benchmarked against data from similar buildings. For now, the valuer must analyse the information provided and make an educated assessment of the appropriate costs against market evidence. This means considering the assumed costs that buyers have underwritten for forward purchaser and forward funding transactions.

Net income capitalisation

Many investors in this market are more familiar with commercial real estate and assess overall returns on the same basis. The guidance note’s approach to valuation mirrors the methodology established among valuers when dealing with shops, offices and warehouses. They are guided to analyse comparables having regard to purchasers’ costs and examining initial, equivalent and reversionary yields. Residential investment property has frequently been assessed in terms of gross yield – ignoring operational and acquisition costs – so this approach may constitute a change. Investors are assessing returns on a triple net yield basis and valuers must do the same.

The capitalisation site will be informed by careful analysis of comparable transactions and applied to the yield net of purchasers’ costs, to include stamp duty land tax, agents’ and lawyers’ fees. Typical considerations might include location, lot size, tenure, any restrictive covenant restricting the dwelling to renting, lease structure, income security and rental growth prospects, and existing and future competition.

The valuer should also reflect the property’s physical circumstances and identify whether any capital expenditure or residual works are required over and above normal running costs, making an appropriate allowance for these. For vacant or part-let buildings, the valuer should also allow for the time and costs of letting the building fully.

Benchmarking

This element is vital, and the guidance note sets out two ways of benchmarking. 1. Aggregate break-up value typically includes the value with vacant possession of each of these dwellings and car spaces plus any ground rent. This is most relevant where there is a fully functioning sales market for the individual dwellings. I believe that for many town centres where the development of flats has been limited or non-existent in the past 10 years, comparison of a new BTR block against the sales of older flats, although informative, would be challenging.

This is emphasised by the fact that the valuer should also have regard, when considering a break-up option to the rate of absorption; a buyer’s desired profit; cost of sales; and holding costs and potential price changes during a sale period. There is no rule of thumb for any difference between the value assessed on a net income basis and the aggregate vacant possession.

2. Cash flow analysis: the note refers to other RICS guidance for valuers on discounted cash flows. It recommends applying such techniques, using market growth rates to income and cost to assess the internal rate of return on an ungeared basis, then comparing this to desired returns from investors.

It is important to emphasise the role of discounted cash flow analysis benchmarking. Although desired internal rates of return will vary between investors, a pattern and range are emerging. This provides a critical way of checking the output of a net income capitalisation approach to ensure the valuation advice is robust and accurate.

It is acknowledged that this sector is growing, which will present valuers with challenges. The guidance note aims to create a consistent approach for the market, enabling participants to decide whether to buy, sell, lend or hold on a basis that can be supported by standard valuation metrics.

Jason Hardman is Executive Director, Valuation and Advisory Services at CBRE, and Technical Author of the RICS Valuing residential property purpose-built for renting guidance note jason.hardman@cbre.com

Related competencies include Property finance and funding, Valuation
The government has an ambition to build one million new homes in the UK by the end of 2020, and a further half a million by the end of 2022.

It has also committed to making ours the first generation to leave our environment in a better state than we found it. However, this will be a major task, given that over the past century we have lost natural habitats on an unprecedented scale.

At The Wildlife Trusts, our vision is for beautiful and inspiring new homes that allow both people and nature to thrive. This means focusing on where and how we build houses, not just how many we need to build. The starting point must be mapping our woods, meadows, parks and river corridors, and identifying where new habitats are needed. Then we can locate and design new housing around this.

The Trusts’ proposals are built on decades of experience of working with local authority planners, housing developers and policymakers. Every year, The Wildlife Trusts influence thousands of planning applications and the design and construction of new developments, such as Cambourne in Cambridgeshire and Woodberry Wetlands in London, so they benefit both wildlife and people.

The challenge
Increasing numbers of people have little or no contact with nature. This disconnect affects mental health, contributes to obesity and affects life expectancy. Integrating nature into the built environment can help to address these problems, but developments have often missed opportunities to do so and have damaged the existing environment.

Since 1930, England and Wales have lost 97% of their lowland meadows. Over the past 50 years, 56% of our wild plants and animals have declined in number, with 15% at risk of disappearing altogether (https://bit.ly/2HuSas4). Much of this loss has been due to intensive agriculture, but built development continues to be a major contributor. This has reduced the space left for wildlife and disrupted ecological processes, such as natural floodwater storage in river flood plains.

As farmland has become less hospitable to wildlife, so the importance of our urban natural areas has increased. Yet in towns and cities, many gardens and small incidental natural spaces have been converted into buildings and hardstanding, leading to creeping but large-scale reductions in the natural character of many urban landscapes. Continuing development in this way but on a bigger scale is not sustainable for wildlife, wild places, the character of neighbourhoods and those who live there.

A positive alternative
Built in the right way and place, new housing developments can contribute to nature and the health and well-being of people who live there. There are two stages to this.

1. The developments should be in areas already well served by infrastructure, avoiding damaging existing environmental assets. Housing should be targeted at places where it can have a positive environmental impact, to help landscape restoration and recovery. This requires an up-to-date, well-informed ecological network map that identifies existing...
positive, demonstrable contribution to nature’s recovery

- trees in urban areas improve the view, ensure privacy, provide shade and reduce pollution and flash flooding
- natural green spaces and trees in urban areas help stabilise temperature and reduce pollution
- community green spaces bring people together
- people experience the joy of wildlife and wild places in their daily lives
- local parks and woods allow people to walk, play and unwind
- green spaces, watercourses, sustainable urban drainage, green roofs, trees, woodlands, wetlands and other natural features provide effective management of water and pollution and climate control
- these reduced carbon emissions, pollutants and water use will help minimise environmental damage and threats to wildlife
- health, well-being and quality of life are improved for people who are living and working nearby
- when communities get involved in the planning and management of natural green space where they live, it can provide jobs, employment and volunteering opportunities
- natural green space in and around housing areas provides opportunities to grow food and even keep bees
- high-quality developments rich in natural green space can attract further investment from business and visitors (https://bit.ly/2M7RMDe)
- houses and developments that are located in natural green space are more desirable to buyers and can have a higher market value.

**Building with wildlife in mind**

Local wildlife sites and those of national and international importance should be protected, enhanced and well managed as part of the development. The development should generate additional funding and resources – for example, section 106 agreements and conservation covenants – to allow an overall increase in the abundance and diversity of wildlife by habitat creation and restoration, and improve soil and river catchment health. Buildings should be more wildlife-friendly, with bird and bat boxes, pollinator- and insect-friendly structures, and connected spaces for hedgehogs.

Building in this way has multiple benefits for developers, which are supported by a wealth of evidence, such as Public Health England’s Spatial Planning for Health (https://bit.ly/2ko4DH). The Wildlife Trusts’ website also has some good examples of new and existing developments that have integrated places for wildlife and people into their designs (https://bit.ly/2KGYQFD).

Such developments must result in a measurable improvement for wild species and habitats. This means working with as much existing habitat as possible – retaining, enhancing and managing woods, copses, hedgerows and streams. Habitat creation should be a standard feature of all new housing developments, with compensation for any existing natural environment that is lost.

Where damage is unavoidable, mitigation must bring about an overall gain in habitats. This should be assessed objectively using an improved version of the biodiversity metric used by the Department for Environment, Food & Rural Affairs.

Maintaining local green spaces should be as essential for everyone involved in a housing project – such as developers, local authorities and national government – as maintaining roads, power and other important infrastructure. Financial planning should account for this at the outset, through a service charge or capital endowment.

With major housing developments, residents should be empowered to work together to maintain shared spaces, grow food and understand the area, using the skill and experience of local charities and social enterprises.

In this way, we can meet the huge challenge of building the thousands of new houses that are needed to combat the housing deficit while restoring the natural world.

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**info**

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Placemaking crucial to sustainable communities

Competencies include:
Masterplanning and urban design, Planning and development management, Sustainability

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Out of sight, out of mind

Are cavity wall problems a failure of the product or the system, asks Ben Gardiner?

In February 2018, the six-millionth guarantee for the installation of cavity wall insulation (CWI) was granted, as homeowners throughout England took advantage of the chance to reduce their energy bills (https://bit.ly/2nq0f9F). CWI’s popularity has been driven by government energy-saving schemes offering free or low-cost insulation that will help reduce the cost of heating the home.

However, unintended side effects in the form of dampness have been widely reported, leading to allegations of poor-quality work and installation in inappropriate buildings. Given the prevalence of CWI in the UK’s housing stock, it is vital that residential surveyors understand the potential issues.

A new industry has emerged, including CWI claim companies and CWI extraction contractors. Consumer rights groups have been set up to advise homeowners and help raise awareness, with CWI being debated in both the Welsh Assembly and the House of Commons.

Regardless of varying opinions, CWI continues to play an important role as the government attempts to help low-income, vulnerable and fuel-poor households. All eyes are now on the Office of Gas and Electricity Markets (Ofgem) as it launches the government’s next phase of energy-efficiency policies – the Energy Company Obligation (ECO 3) – towards the end of 2018.

What is going wrong?

There are several types of CWI, including urea formaldehyde foam insulation, mineral wool insulation – which comprises glass fibres and rock wool – polyurethane foam, and bonded polystyrene beads. They can all create risks of issues such as penetrating dampness, condensation, mould growth and rising damp.

All houses are built imperfectly and from my experience all retrospective CWI has at least some deficiency notable in its installation. Many houses can function without any significant adverse effects, although issues can easily occur where CWI has failed. This is not necessarily a failure of the actual product but rather of the system, through a combination of factors. These can be separated into the following two general categories.

Property suitability

Essential with any retrofit project, property suitability for CWI is decided via a pre-installation survey, but until recently was left to the companies doing the work, with little effective third-party monitoring. Unsuitability can be a result of:

- property located in a “severe” or “very severe” wind-driven rain exposure zone, as defined in Approved Document C (https://bit.ly/2AJNjoS)
- cavity width too narrow or uneven
- deterioration of external fabric
- external ground levels bridging the damp-proof course (DPC)
- lack of effective DPC
- rubble or debris in the cavity
- mortar “snots” – that is, excessive mortar protruding into the cavity
- high-ground water levels
- existing, incompatible partial-fill insulation.

Substandard work

Work is usually found to be substandard where pre-installation surveys have been ignored or the following are evident:

- lack of pre-installation remedial works
- incorrect drill pattern
- incorrect density of insulation
- insufficient quantity of insulation
- poorly mixed or incorrect bonding agent (EPS bead)
- air vents blocked
- inadequate cavity brush.

Other situations where CWI can be affected by external conditions after installation include: flooding; escape of water; fire damage; installation of...
windows, doors, gas flues or air vents; and new external paving at a high level. Condensation or mould may occur where occupants do not allow for sufficient ventilation in their property after CWI installation; while living habits may not change significantly, the way moisture transfers through external walls does.

Careful consideration must be given to whether CWI has been affected by external events following its installation or has not been properly maintained. The presence of defects and how they may have been affected or caused by the CWI are fundamental questions.

It is a fact that CWI can cause dampness. The risk of water ingress is highlighted both by Approved Document C (https://bit.ly/2LW9hKt) and the BRE in its Good Building Guide 44, part 2, which states: “There can be an increased risk of rain penetration if a cavity is fully filled with insulation, i.e. moisture is able to transfer from the outer to the inner leaves resulting in areas of dampness on internal finishes.”

The BBA and NHBC investigated increasing the size of cavity walls to see whether this might affect resistance to rain penetration. Their report, Full Fill Cavity Wall Insulation in Areas of Very Severe Exposure to Wind-driven Rain (https://bit.ly/2LPcCLj) described issues with penetrating damp ingress where blown-in mineral wool insulation was used in a 100mm-wide cavity constructed to 1990s standards.

The report stresses that non-standard test conditions were used, and that the results “have no bearing on the continuing certification or suitability of existing CWI systems”.

Approach to surveying

RICS Home Surveys are generally based on non-intrusive inspections, during which the following should be checked where it is possible:

- energy performance certificate
- CWI guarantee certificate
- filled holes
- air bricks or vents
- mechanical ventilation
- insulation type
- condition of brickwork or stonework, including pointing
- condition of external render, including any cladding
- external fabric decoration, such as painted brickwork or waterproof coatings
- efficacy of rainwater goods
- sealants around openings
- height of ground levels, including provision of surface water drainage
- condition of DPC
- weep-holes, as built or retrofitted.

Establishing the type of insulation installed can be difficult, but checks in roof voids, meter cupboards and vents can often reveal traces of the material used.

Where specific defect surveys are commissioned, an intrusive investigation of cavity walls can be carried out. The key tool is a borescope or similar device, which, used in a targeted manner, will allow for a detailed analysis of the cavity wall and insulation. Potential weak spots in the cavity include wall junctions – internal and external corners – window and door openings, low-level wall areas – above and below the DPC – and other wall penetrations such as gas flues. Where assistance from a contractor is available, bricks can be carefully removed for a more detailed inspection. This is particularly helpful where there is suspected wall-tie corrosion or where CWI has been incorrectly installed in a non-traditional construction type.

For RICS Building Surveys, an argument can sometimes be made that a few minutes’ drilling and inspecting a cavity wall using a borescope – with the owner’s permission – is justifiable. Compared to time spent struggling with inspection chamber covers or even fixed loft hatches, the performance of an external wall surely deserves the same attention as the below-ground drainage system and roof structure.

Extraction as a last resort

Where CWI has been removed, especially where new insulation has not been installed to replace it, residential surveys should be wary. Without relevant paperwork or a cooperative vendor, an extracted property may not be readily identifiable. Some signs may be present, such as evidence of replaced brickwork and filled drill holes, although a property will often have been repointed at the same time. Depending on the contractor’s skill, damaged brickwork, DPCs, mortar-stained brickwork and even insulation and debris left in the cavity are quite common.

Some cavity clearance certification schemes are gaining popularity, such as those by Stroma Certification and the BBA. Damian Mercer, Managing Director of Cavity Extraction, which operates under the Stroma scheme, explains: “CWI extraction is a highly labour-intensive process relying on a methodological approach to ensure a property is completely cleared of insulation and debris. It is up to extraction companies to work with accreditation bodies to increase standards. Both off-the-shelf and bespoke clearance equipment are vital to achieve a successful extraction.”

Mandatory regulation in the cavity clearance sector does not yet exist and is not covered by the Building Regulations. However, chartered surveyors are already working in this area carrying out independent checks and audits and supervising extractions.

Ultimately, the presence of satisfactorily performing CWI can only be established with targeted intrusive investigations and a full survey of the property. Whether CWI is a contributing factor or the overriding cause of dampness, chartered surveyors are arguably best placed to ensure that an independent comprehensive inspection is achieved. For all residential surveys, CWI performance should be at the forefront of a surveyor’s mind.

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Dealing with flying rats

Feral pigeons (Columbia livia domestica) have become increasingly difficult to control, especially in inner cities, towns and villages. Buildings and structures such as railway bridges provide a habitat for them to nest and roost in places such as ledges, roof slopes – especially under solar panels – parapets, chimney box gutters and balconies, while large rainwater hoppers make for ideal nesting boxes. Derelict buildings with broken windows and missing roof tiles provide easy access, especially to lofts.

Pigeons thrive in squalor and will nest in places that other feral birds would not consider. They will nest on their own excrement, mixed with any nearby material such as loft insulation, which can block drainage outlets to cause localised flooding. Regular fouling with faeces builds up over time and presents a health hazard, and surfaces can become slippery when wet. Socially monogamous, a pair can breed up to six times annually, at any time of the year. They are attracted to built-up areas by food sources – especially litter – and roosting and nesting sites. They cause problems include fouling pavements and buildings, odours, noise and disease transmission.

Under the Wildlife and Countryside Act 1981, it is illegal to kill a wild bird, including feral pigeons. However, if there is a nuisance – defined by the act as “fouling pavements, buildings and monuments, contaminating food stores and in some cases transmitting diseases” – the public can engage a professional pest control organisation that has been granted a general licence to deal with the problem.

Health issues

Pigeons are not known to carry the deadly bird flu virus and rarely transmit diseases to humans. The main threats arise from their droppings becoming very dry in warm weather and particles becoming airborne. This can cause the following conditions.

- **Psittacosis**: pigeons can carry the bacterium without any signs of illness. Transmission to humans may occur through feather dust or direct contact. It can cause severe respiratory problems, flu-like symptoms and even pneumonia.
- **Salmonella**: pigeons will generally appear ill, lack energy and remain close to food. The disease is usually transmitted through infected droppings, especially around water and food containers. It can cause diarrhoea, fever and vomiting.
- **Paratyphoid fever**: also caused by salmonella, symptoms can begin between six and 30 days from exposure and result in a high fever and skin rash similar to a mild form of typhoid.
- **Histoplasmosis**: may cause fever, coughing and fatigue and more serious respiratory problems in those with weakened immunity. It may be fatal.
- **Candidiasis**: a yeast or fungal infection that can affect different parts of the body.
- **Cryptococcosis**: caused by yeast found in the intestinal tract of pigeons, and transmitted through dried droppings. Symptoms include fatigue, fever, headaches, nausea and skin rashes. More serious complications can occur in those with weakened immune systems. The disease can attack the nervous system and lead to seizures.

Treatment

Not feeding pigeons is the most effective way to control their numbers, especially in large public spaces. Some people still regularly leave food for pigeons, which encourages flocks to target these areas. These can range from 20 to 500 in number, and large flocks increase the risk of disease transmission. Educating the public and homeowners on the risks of feeding pigeons is important to help reduce the associated problems.

Regularly removing pigeon droppings and installing preventative measures to deter nesting and roosting prevent the spread of diseases, including:

- Introducing adult falcons to the area to scare away pigeons
- Installing spikes or coils on ledges and other flat surfaces
- Installing netting to prevent access to balconies or under bridges
- Applying a non-drying gel to surfaces
- Coating eggs with oil to prevent hatching – this requires a licence from the Department for Environment, Food & Rural Affairs
- Using ultrasonic and sonic deterrents that broadcast the sound of birds of prey
- Making architectural changes to buildings to reduce the number of flat surfaces available, because pigeons do not like steep sloping surfaces such as mansard roofs.

The Royal Society for the Protection of Birds (RSPB) also says that homeowners should not feed garden birds, all food should be caged so pigeons cannot reach it. Pigeon-proof feeders are commercially available. The RSPB also says that homeowners should avoid offering certain food mixes that contain whole grains such as corn, wheat...
and barley, which are more likely to be eaten by pigeons.


The UK’s Health and Safety Executive has also published “Construction micro-organisms: Psittacosis and other diseases from work involving bird droppings” ([https://bit.ly/2xCKtOO](https://bit.ly/2xCKtOO)), because construction workers may be exposed to bird droppings on site. Suggested actions include preventing any faecal dust becoming airborne by wetting down work areas and using protective respiratory equipment.

Network Rail has installed extensive netting to the underside of many of its bridges to deprive pigeons of common roosting and nesting sites. It has experimented with repellent paint systems that aim to cause a harmless allergic reaction in pigeons, creating a conditioned response.

**Case study**

I was involved in a large-scale pigeon problem at some blocks of flats in south London. Constructed in the 1920s, these four-storey buildings had mansard roofs, dormer windows and open balconies leading off the kitchens of each flat. Pigeons were roosting on the upper roof slopes, the flat tops of the dormer windows and balcony walls and nesting on the flat roofs over the stairwells and on balconies.

Some residents used the balconies for storing prams, bicycles and furniture, which provided the perfect habitat for pigeons to roost and nest undisturbed. A colleague attempted to mount two-foot plastic owls in various places as a deterrent, but the pigeons were intelligent enough to understand that these were not a threat.

An RSPB feral pigeon expert confirmed that these owls were useless and that birds of prey were the most effective deterrent, together with changing flat surfaces to steep slopes or pyramidal shapes. The advice included the standard deterrents mentioned earlier, such as a non-drying repellent gel. A leaflet was delivered to every resident asking them to stop leaving food for any wildlife and ensure balconies remained clear and clean; netting was also installed around these.

Such measures largely brought the problem under control, and though they did not completely eradicate the pigeons they prevented them from being a nuisance to residents.

**Conclusion**

The challenges and costs for industry and local authorities can be considerable when attempting the wholesale control of pigeon populations. Shooting, poisoning, contraception and electric shock measures are all illegal under the following UK legislation:

- granting a licence to kill pigeons or wild birds is covered under sections 16(1)(i) and 16(5) of the Wildlife and Countryside Act 1981 (as amended); licence conditions may vary for Scotland and Wales
- the code of practice for exercising the powers under section 9 of the London Local Authorities Act 2004
- Firearms Act 1968: a licence needs to be obtained if bird-scaring cartridges are to be used.

Eradicating a pigeon infestation is difficult and may require a combination of measures. The birds need to know they are unwelcome, so not feeding them is an important first step.

Regular building maintenance is important to eliminate any structural weaknesses that allow them access, such as missing eaves soffit boards. Neighbours of a homeowner carrying out such measures will have to do the same, otherwise the pigeons will just move to the next easy target.

Making architectural changes to buildings requires increased consideration from designers, large landlords and building owners. Retrofitted deterrents need to be regularly maintained – we have seen many that have fallen into disrepair or been vandalised – otherwise this stubborn and persistent nuisance will return.
As with all electromechanical equipment, lifts reach a point when parts fail, and the reliability of service is compromised. If major component failure can be pre-empted, however, you can avoid your lift being out of service for a prolonged period; for example, a controller failure could mean it is not working for an average of eight to 12 weeks.

Some modern lift equipment has a design life of between 15 and 18 years, provided it has been maintained properly. Equipment from the 1970s generally had a lifespan of 25–30 years, with lifts from the 1960s lasting even longer.

Lift replacement and renovation can be expensive: the average replacement costs in the region of £80,000, while a full refurbishment is an average of £65,000, based on a four-floor traction lift. This amount increases for taller buildings with more storeys due to the additional labour and materials required.

Refurbishment is usually a better option than replacement: not only is it cheaper in most cases, but it also results in a longer life expectancy. In the case of a robust lift, this may even give 25–30 years’ service with the potential to repeat the exercise at the end of that term. Some modern equipment may not be suitable for refurbishment later, forcing another replacement in future.

With any capital expenditure in shared accommodation – such as flat-roof repair or boiler renewal – accurate planning is critical to ensure the works will be completed to the required standard, while enabling funds to be collected over a prolonged period, particularly if there are not many flats to share the cost. A lift replacement or refurbishment is a potentially complex and disruptive project, so this article offers some pointers on how best to schedule and carry out major works to any lift you may have in your property.

**Know your lift**

It sounds obvious, but property managers and anyone involved with the maintenance of your block must get to know the lift. In most instances, it will be the same age as the property; there may be rare exceptions when it has been added later.

Given that 20 years is a good rule of thumb for the lifespan of many components, check whether the lift has undergone major refurbishment at any point. Review comments from the service provider and insurance inspector, who are required to provide reports under the Lifting Operations and Lifting Equipment Regulations 1998, to ensure that it is in good condition.

Some simple things for property managers and residential management companies (RMCs) to look out for, which often indicate other underlying issues, are as follows:

- Increased number of breakdowns or lift failures
- Poor levelling of the lift or erratic movement when starting or stopping

Replacing or refurbishing a lift can be time-consuming and expensive. **Gareth Lomax** explains how to streamline the process.
unusual noises from the lift shaft, motor room or lift car
increasing repair costs from the maintenance company
doors reopening or not closing correctly first time
problems highlighted in the insurance inspector’s report.

It is better to plan for major works to the lift than deal with problems as components fail. Lift equipment cannot be bought off the shelf in many cases, as most manufacturers only make to order. For example, if part of the mechanism seize up, the manufacture of a replacement may take four to five weeks; factor in delivery and installation and this means that a lift could be out of service for eight weeks. Works will cost between £6,000 and £10,000, but if the lift itself is in this state, then the rest of the mechanism will be in the same general condition. This could lead to further failures and expense.

Commission a survey
If in doubt, have the lift surveyed. An independent report is the most cost-effective way to check on the current condition, future lifespan and potential expenditure over the short, medium or long term. It is difficult to keep up with technology and all lift regulations, and to ensure that you are always getting best value from the lift industry.

This is where an independent lift consultancy can provide measured, professional advice on the must-haves, and on the specific performance of equipment and contractors alike. A qualified consultant will:

• assess the condition of a single lift or a whole portfolio
• analyse a building’s lift requirements
• specify a replacement or refurbishment to give the maximum value within the client’s budget.

While consultants can sometimes be viewed as an added expense, an expert in a specific field will often obtain the best value from the parameters they have been given, which will frequently offset their fees.

Independent survey reports by a lift consultant will offer guidance on which course of action to take, possibly recommending refurbishment rather than replacement. This process will always highlight areas that must be addressed to ensure that the lift does not fail as a result of neglect. The survey will consider its current condition and operational issues, typical energy consumption values and predicted lifespan, as well as making recommendations with associated costings.

Consulting with residents
The high costs associated with major works to lifts mean they should be one of the sinking fund or capital items scheduled in a lease as requiring an annual contribution for planned refurbishment or replacement.

When it becomes clear that a refurbishment or replacement is needed, the project will require the section 20 notice of the Landlord and Tenant Act 1985, as amended by the Commonhold and Leasehold Reform Act 2002, to be implemented. This is when the plans for the works need to be clearly identified, explaining to the leaseholders why these are to be undertaken and what the objective of doing so is, outlining the costs and timescales.

At this stage, supplying correct information to leaseholders is critical to ensure the project is accepted by all. Major works often cost substantial sums of money, which can be an emotive issue, but well-produced evidence and plans can clearly demonstrate why such works are necessary. Property managers and RMCs should ensure that meetings are held with residents at the earliest possible stage. Anyone who is unable to attend these should be informed of progress via email or leafleting to ensure the consultation process is clear, effective and meets statutory requirements. It is important to respond fully to any written comments received from leaseholders.

The right specification
A correctly specified level of works has two distinct benefits.
1. It ensures that the client’s requirements are clearly listed, and thus that a lift meeting their expectations can be provided.
2. It ensures that only those areas that need attention are addressed. Flat owners will have to pay for any remedial work, and it is easy to replace too much and leave them liable for the costs. If the specification is clear, the lift contractors can supply the correct pricing, which will ultimately result in savings for the residents. The specialist consultant will draw up a full specification for your project to ensure adherence to the contractual and technical requirements for the building, client and those using the lift.
Find the right contractor

The UK lift industry is made up of many companies, ranging from multinational powerhouses to sole traders. It is vital they are used for projects that match their skill set, so it is inadvisable merely to choose a name from a Google search. A spread of four to five companies will ensure a competitive price.

Your chosen independent consultant should be present at all stages to advise and guide you through the process, leading to simple, value-for-money decision-making. They will work closely with the lift contractor, commenting on all the paperwork and technical documentation, and making regular site visits to ensure that the quality of work and programme are meeting expectations. They will also communicate regularly with the client and contractor so that all parties are aware of timescales and progress.

Timescales

A well-planned lift refurbishment scheme, if scheduled correctly, ensures downtime is minimised. Typical timescales are:

- survey lift and write report: two weeks
- review survey report and plan works: four weeks
- write specification for given site: four weeks
- tender works to five companies: four weeks
- tender analysis and post-tender meetings: four weeks
- place order and procure materials: 14 weeks
- refurbish lift: eight weeks/replace lift: 12 weeks

From the survey stage to the start of replacement can take 32 weeks or more, which will enable residents who rely on the lift to make alternative plans for the time in which the works are undertaken. The lift service will be unavailable while it is replaced or refurbished, so knowing when this will take place always makes residents’ lives much easier. The average refurbishment period for a lift would be around eight weeks. There is more disruption associated with replacement of a lift, because of percussion drilling and scaffold installation.

Check your warranty

After the lift has been installed or refurbished, it will be covered under a warranty period by both the manufacturer and installer. This is where lift performance should be monitored to rectify teething troubles, while ensuring any more significant issues can be dealt with as part of the contract.

The lift industry’s standard warranty period is 12 months, but lift contractors are increasingly prepared to negotiate longer periods of cover. With the expense of a replacement, it is important to ensure that the lift will operate safely and reliably for many years to come.

The high costs associated with major works to lifts mean they should be one of the sinking fund or capital items scheduled in a lease as requiring an annual contribution for planned refurbishment or replacement.

Following successful completion of the project, a full witness test of the installation should be undertaken by your lift consultant. This is to ensure the lift is safe, reliable and in accordance with the specification and all regulatory requirements. The service should also include monitoring of the lift during the defects liability period and beyond.

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Related competencies include
Housing maintenance, repairs and improvements, Property management
any art collectors view the idea of paying even a fraction of an item's value annually to an insurer as protection against losing everything as a dull way to spend their hard-earned cash. Conversely, most of them consider home or car insurance as an obligatory expense.

Because of their often unique nature, fine art and antiques – unlike your clothes, television, car or house, where insurance cover is on a new-for-old basis – can only be replaced on an agreed-value basis. However, even though fine art cannot normally be replaced with an identical piece, nothing is priceless; a level of financial compensation for its asset value can always be agreed between the client and insurer so long as it can be justified.

As a precaution against possible fraud involving overvalued items, the levels of the agreed value are generally determined by professional, third-party valuations by specialists, such as leading auction houses or fine art RICS-accredited valuers. These valuations should track the market and be reviewed every three to five years, depending on the speed of change in value for the objects concerned.

Trust and confidence
For private collectors, fine art insurance is personal and touches on the security of their home as well as the emotions relating to their possessions, so confidentiality is key to clients. It is in the best interests of insurers to protect personal and security information, but many common insurance misperceptions still abound.

One such falsehood is that insurance companies include clauses in the small print designed to avoid settling claims. In fact, today’s insurance market is transparent and due to regulation is generally weighted in the client’s favour. You put your trust in your insurer, and, to a certain extent, they place their trust in you. The insurance of valuable, precious and often portable items is particularly susceptible to fraud, however; so insurers like to know their clients, and to understand the risk they are insuring, to avoid issues such as misrepresentation or moral hazard.

Choosing the right insurer
Art collectors should judge any insurance company by its willingness to pay claims, both in terms of the scope of the policy wording, and their solvency and ability. Although you may have a preferred insurer in mind, my advice is to engage a broker whose role is to understand your needs and seek the most suitable and economic insurance cover. They receive a commission, normally 25–30%, from the chosen insurer.

Your existing general broker could search the market or use a specialist broker to place the business on their behalf. This is more likely for larger private or corporate risks, such as museums and galleries, but it is rare to be insured without any broker involvement at all.

London has the advantage of being a leading centre of both the international art market and the international insurance market. Fine-art insurance developed from 19th-century marine cargo insurance and still retains some quaint characteristics and gentlemanly conventions. These originate from the face-to-face meetings when a broker would “broke” – that is, explain or sell the risk – to the underwriter for their consideration and best rates.

An international collector with homes in London, New York and the south of France can have a worldwide policy written on an all-risks basis. Specialist insurers realise that their policies must be flexible enough to cover normal collectors’ activities, whereby at any one time part of a collection may be with a conservator, framer or restorer, in
What's in a claim?
Broadly speaking, claims are events that can be described as happening at a specific time. A flood on Monday, a fire on Tuesday and a painting stolen on Wednesday are the makings of a lousy week, but all can be covered, as opposed to light fading a watercolour, mould growth on furniture in a damp, inappropriate storage area and infestations by vermin ranging from woodworm to mice.

In some rare instances there are exceptions to this rule where ex gratia settlements are made. For example, AXA ART recently settled a case where a squirrel had chewed a George III wing armchair.

Serious fires can often be avoided or mitigated with risk management and are on the relative decline, although conflagrations such as at the Glasgow School of Art in 2014 and again in June 2018 still occur. Professional targeted theft is similarly a comparatively rare event, although clients should always take care to avoid the careless opportunist theft. On the other hand, the increasing location density of risks, especially in select coastal areas, and rapid inflation in fine-art values has magnified the effect of certain catastrophic events, such as hurricanes.

Good risk management can mitigate most unnecessary losses. A reputable insurer will survey risks and offer specialist advice, as well as checking that the information received is correct and meets standard insurance industry security requirements. The important point is not to rack up regular attritional losses that could cause your underwriter to lose confidence.

Remember that your claims record travels with you for five years and is key to the underwriter’s assessment of your risk and premium calculation.

Accidents will happen
In today’s highly active art market, with so much travelling between blockbuster exhibitions, international fairs and auction houses, the potential for accidental damage caused by poor handling is huge.

AXA ART Insurance has in its offices, as salvage, a large painting by Kehinde Wiley that was damaged as the result of a badly aimed forklift-truck tine that punctured both the packing crate and the painting inside. Unwitting customs officials have often accidentally broken or thrown away items they don’t understand and on one occasion even unwrapped a Christo chair; of course, Christo was noted for his prolific work that involved wrapping recognisable objects, such as items of furniture, to create intricately ambitious sculptures and installations.

Contemporary art
The materials and techniques used in contemporary art can lead to a whole new world of previously unimagined forms of claims. What do you do if your Manzoni Merda d’artista cans start to leak, or your Fontana painting is found to have acquired a few new cuts? In this situation, you should contact your specialist insurer’s claims team as soon as possible. They will have the experience to deal with the most unusual problems, and limit further loss.

The other consideration is that the secondary auction market demands that contemporary art is kept in pristine condition. A small scuff or tear to an oversized print is likely to lead to it being an effective total loss, whereas arguably the same damage to a 19th-century oil painting would be relatively easy and inexpensive to restore resulting in little, if any, depreciation. Sadly, inherent vice, a self-destructive gene found in some artworks, cannot be covered. The concept of a block of ice in the desert may be profound but is not insurable.

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storage, in transit to an exhibition or going to or from an auction house. If the insurer is made aware of significant movements, and if you use recommended, experienced firms for transit, there should be no additional premium charges.

For the best rates, collectors can impress their insurer by demonstrating well-considered risk management and control of collections, inventories or databases that include digital images.
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