

Dilapidations Five

Valuing Commercial Property

Valuing for Section 18 Valuations

Divide Again

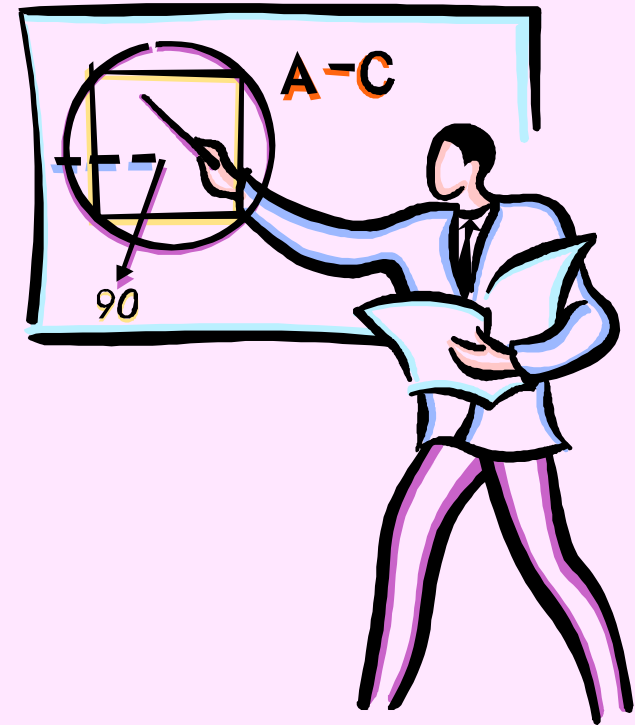


Groups of six.

Summary

Every lecture will follow the same format:

- The first hour or so will be my presentation (but it will need some participation from you!).
- The second hour or so will be a tutorial – active learning.
- The last half an hour will be general feedback.



Review

- Week 1 - Schedule of Condition & Property Report for tenants
- Week 2 - Dilapidations for Landlords
- Week 3 – Leases - Full Repairing and Insuring or Limited Liability Leases
- Week 4 – Legal Framework
- Week 5 - Clients T & C - Section 18 Valuations

Course Work

Course work requirement:
Oral presentations

In groups of six maximum with
teams of three (with five minutes
minimum each) on Schedules of
Condition & Property Reports and
Schedules of Dilapidations

Ready to present ????? Date ?????



Oral Presentation

- This will mean a good readable set of site notes from everyone
- A Schedule of Condition & Property Report
- And a Schedule of Dilapidations with the case law relating to each item
- And a presentation each person taking a five minute minimum part

Quote for the Day

“The rewards for those who persevere far exceed the pain that must precede the victory”

Ted W Engstrom

Today - Now

First Part

Review S of C & Property Report and investment properties
Residential and commercial valuation
Section 18 valuation

Second Part

- Complete S of C and Property Report and a Schedule of Dilapidations in Scott schedule format based on lease terms give

Last Half Hour

- Review

Further reading

- Read a Dilapidations book

www.DilapsHelp.com Has many book reviews

Dilapidations Process

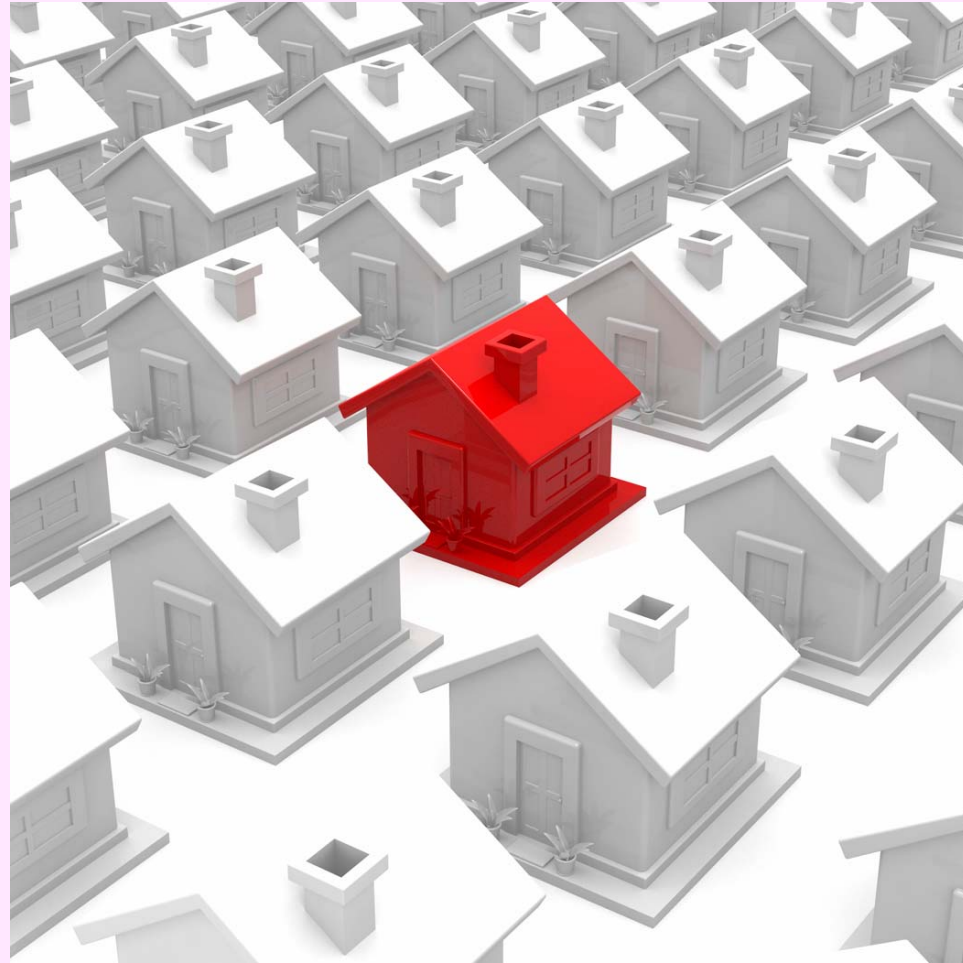
- ✓ Client rings for advice/ quote
- ✓ Talk to client
- ✓ Confirm instruction and T & Cs
- ✓ Gather available information
- ✓ Inspect property
- ✓ Prepare Schedule of Condition or Dilaps report
- ✓ Advise and agree way forward with your client
- ✓ Meet other surveyor
- ✓ Negotiate and agree
- ✓ Negotiate and Disagree and go to court

How do we Value a House?



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

We use a Comparable Method



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

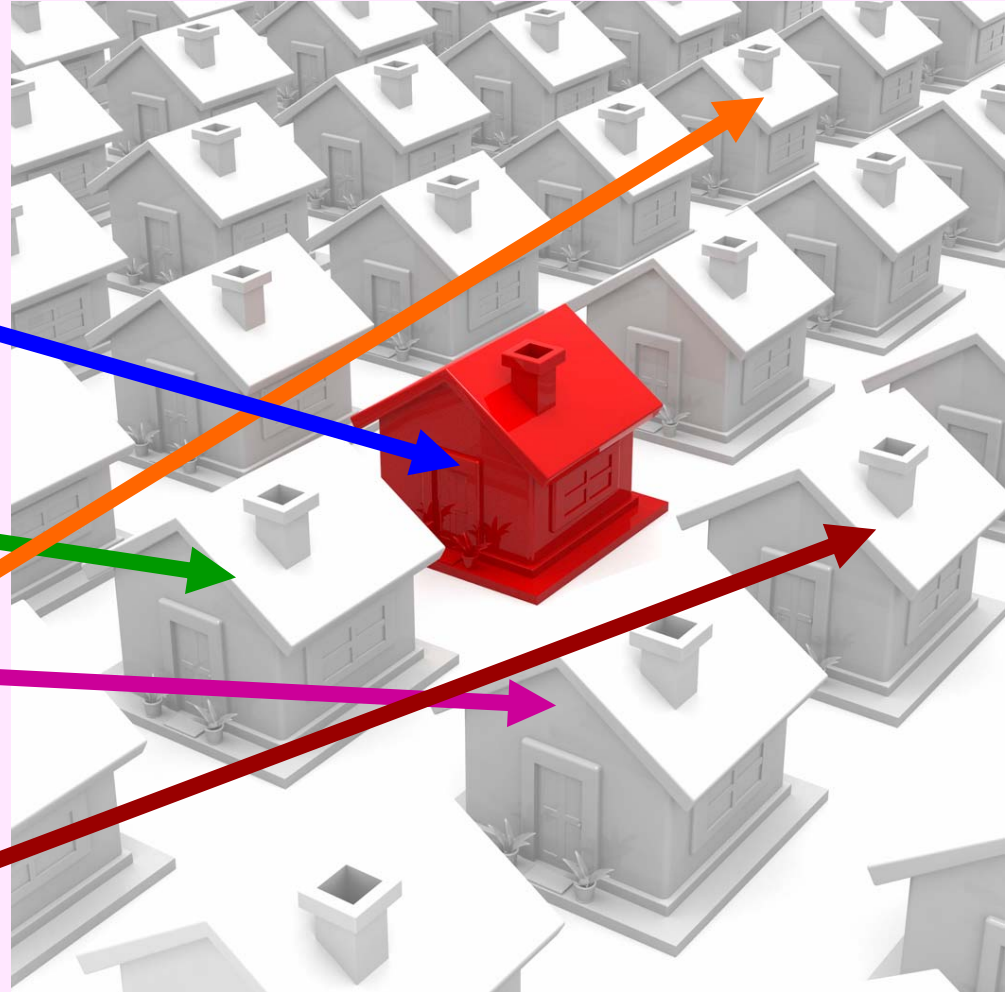
£100,000
- this is the
property we are
looking to value

£90,000

£90,000

£90,000

£100,000



How Much is the house Worth?

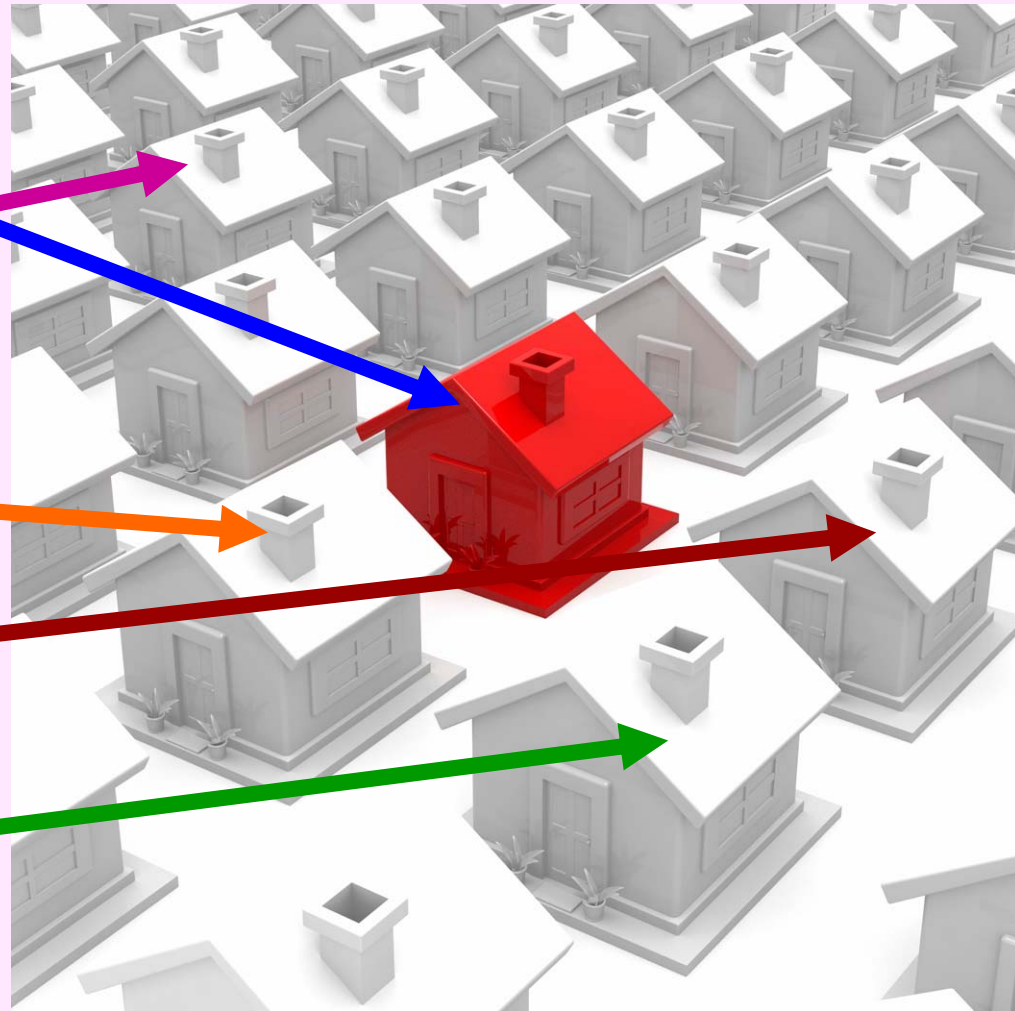
£100,000

£70,000

£80,000

£90,000

£100,000



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

Is this worth £100,000?

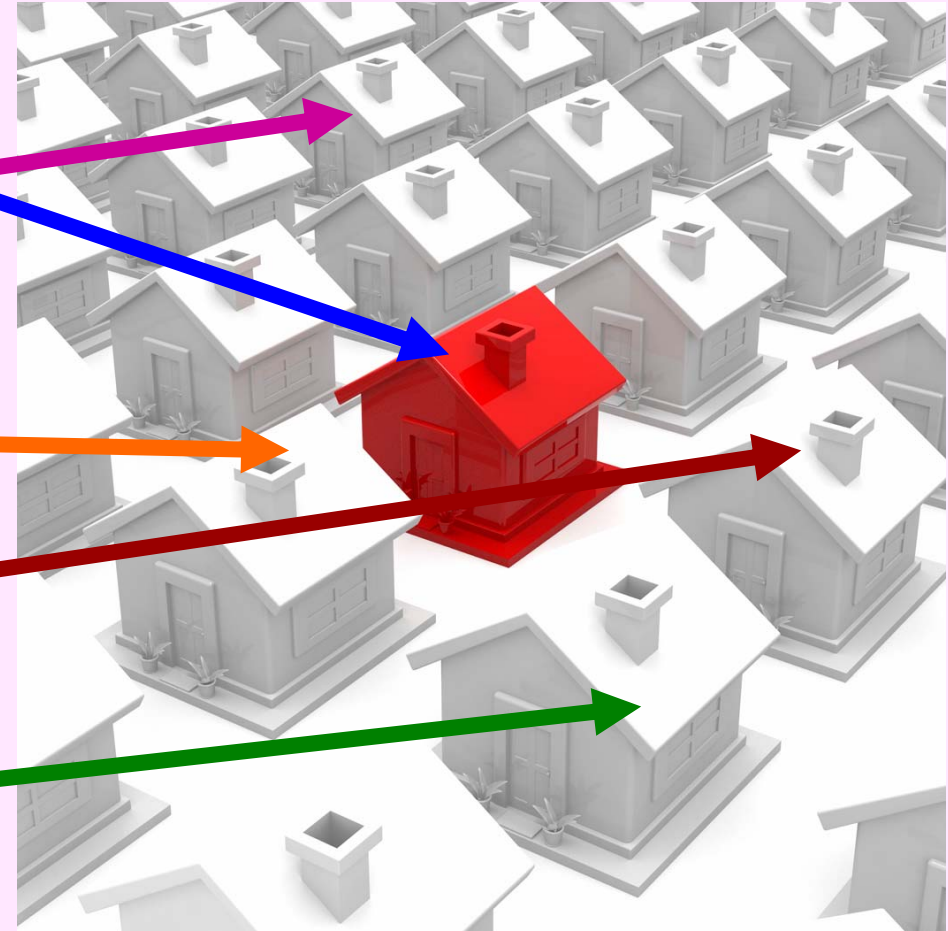
£100,000

£60,000

£70,000

£80,000

£90,000



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

Bank and Building Society Owned Surveyors

Do they really value?



Copyright © 1998 Associated.co.uk,
not to be used in any format
without express written permission

This time the house is not a home – it's a HMO (House of Multiple Occupancy) – a house full of students



The rental income from the three
bedroomed house:

£250.00 per room

£750.00 per month

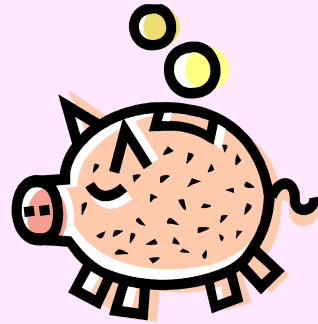
£9,000 per year



Compare this to another type of investment
such as putting your money in the bank.
How much money would you have to put in
the bank to get £9,000 per year?

£100,000 in the bank at 5% interest =
£5,000

or

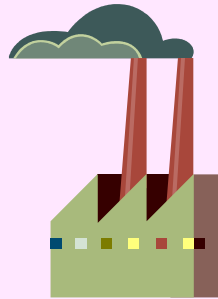


If you multiply £9,000 by ? = £100,000
the question mark is 11.1, so therefore
the yield, or the capitalisation rate, is
11.1, so, if we know the rental value we
can work out the market value of the
property.

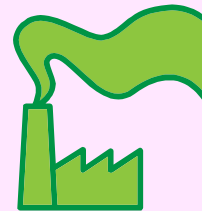
Industrial Building

Using a similar scenario for an industrial building we would find four properties that have sold recently:

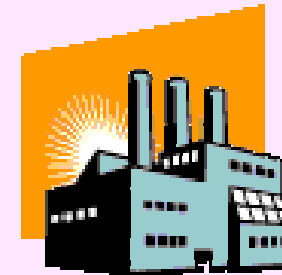
1. £150,000 OMV
£30K MR



2. £100,000 OMV
£10K MR



3. £200,000 OMV
£40K MR



4. £120,000 OMV
£15K MR



These are the Yields

- | | | | |
|----|-------------------------|---|----|
| 1. | £150,000 OMV
£30K MR | } | 5 |
| 2. | £100,000 OMV
£10K MR | } | 10 |
| 3. | £200,000 OMV
£40K MR | } | 5 |
| 4. | £120,000 OMV
£15K MR | } | 8 |

If we average them and then multiply by the rent of the property that we are looking at we get the market value.

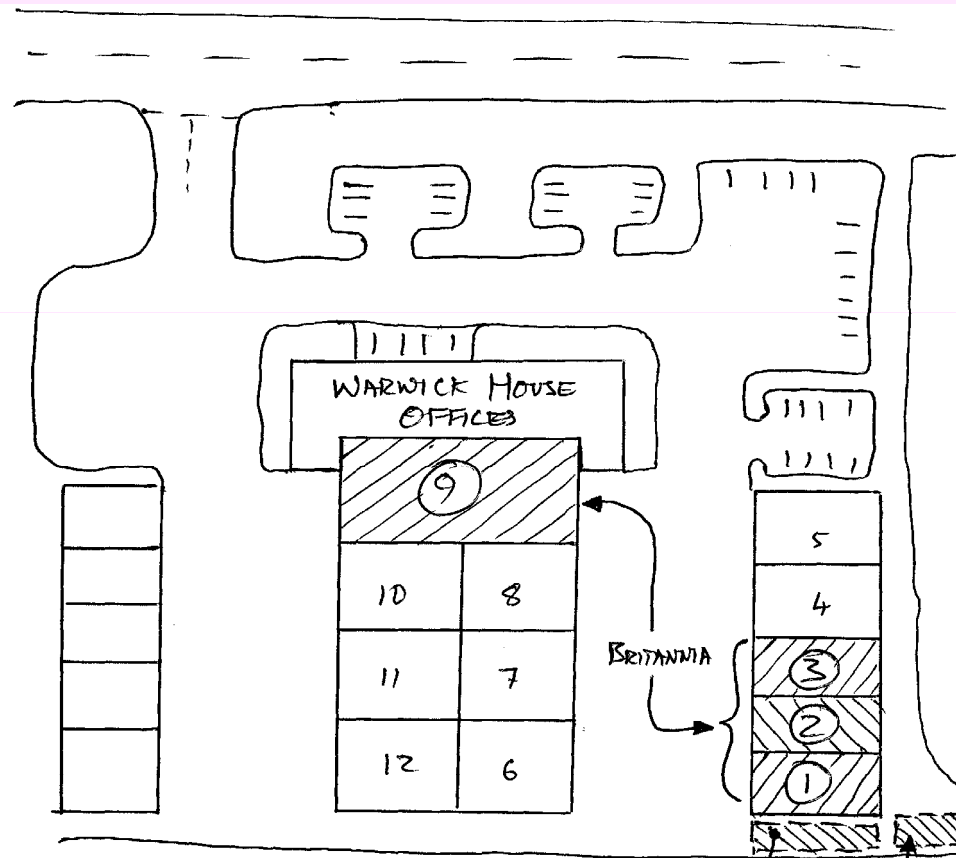
Valuing for Section 18 Valuations

We look at the Market Value



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

Look at the Surrounding Areas



PLAN OF
WARWICK HOUSE
INDUSTRIAL ESTATE.

You look for some in good condition and you look for some in not so good condition, this gives you the yield that enables you to get the market value of a property in good condition and a property in bad condition



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

Numbers to Remember



Copyright of 1st Associated.co.uk,
not to be used in any format
without express written permission

For Your Presentation

Building in GOOD condition

Market Rent (you will have to find this out)

X a rate of 10 = Market Value

So Pub rent of 65K x 10 =

Market value = 650K

For Your Presentation

Building in AVERAGE condition

Market Rent (you will have to find this out)

X a rate of 9 = Market Value

So Pub rent of 65K = Market value = 585K

For Your Presentation

Building in BELOW AVERAGE condition

Market Rent (you will have to find this out)

X a rate of 8 = Market Value

So Pub rent of 65K = Market value = 520K

For Your Presentation

Building in POOR condition

Market Rent (you will have to find this out)

X a rate of 6 = Market Value

So Pub rent of 65K = Market value = 390K

For Your Presentation

Building in:

- POOR condition Market rent x 6
- BELOW AVERAGE condition Market rent x 8
- AVERAGE condition Market rent x 9
- GOOD condition Market rent x 10