



De Villiers Chartered Surveyors Limited

Aspects

November 2013

Welcome to Aspects



Welcome to the third edition of the De Villiers' newsletter Aspects.

It is hard to believe that a further six months have passed since the last edition of Aspects.

The expected 'quiet summer period' never materialised and I am pleased to report that the business continues to grow with both the residential and commercial departments expanding to meet the increasing workload.

The residential team welcomes both Sally Higgs, who joins as Associate Director from Hamptons International and Tim Holmes, who joins from Doherty Baines to assist James with the increasing number of residential valuations.

The commercial team welcomes Tom Warren who re-joins after successfully completing his degree at Nottingham University to assist Paul and myself in the commercial department.

Regards

By Mark Short

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Residential Market Summary

- Over 2012 the residential property market has seen strong price inflation in many areas.
- Central London continues to be one of the world's premier cities and a safe haven for property investment. This international demand is showing no signs of abating indeed several property investors and commentators anticipate significant further investment from overseas buyers in the years to come.
- Central London, now economically detached from the rest of the UK housing market, is therefore now dependent on these international buyers to maintain its values. Indeed 70% of Mayfair property purchasers in 2012 were from overseas buyers.
- The loss of the UK buyer within prime Central London areas is likely to accelerate. The sporadic occupancy in many of Central London's prime blocks means there is a lack of community that is important to UK buyers but is of no significant consequence to the international purchaser.



- As for the remainder of the market, **2013** has seen some acceleration in demand and values of what has been a generally static UK property market for the last few years.
- In August 2013 the Government and the Bank of England gave clear indications that interest rates will remain at record lows until employment falls from 7.8% to 7%. This policy coupled with George Osborne's Help to Buy scheme, originally for new build and now extended to all homes, have improved the UK housing market. It is likely we will see further strong inflation as sentiment, demand and availability of mortgage lending continue to improve.
- Whilst an improving housing market is good for the overall economy this increased debt and extended loan to affordability ratios could be a future concern particularly if there is any upward movement in interest rates.



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Inflation means bad news for ratepayers

There would appear to be no respite for ratepayers as it was confirmed that September's RPI rate of inflation rose to 3.2%. The September rate of inflation is the figure adopted by the government to calculate the business rates multiplier for the following year. Consequently, we can expect multipliers and rates payable to rise by at least 3.2% in 2014-15.

It is estimated that firms across England will face a £858m rise in business rates for 2014-15 with the British Retail Consortium predicting that retailers alone will have to fork out up to £242m extra in business rates next year, adding to the strain on the high street and putting as many as 20,000 jobs at risk.

This news comes shortly after the controversial decision to postpone the 2015 business rates revaluation until 2017. Communities secretary Eric Pickles speaking at the Tory Conference recently has refused to bow to pressure to reverse the government's controversial business rate revaluation delay.

Pickles said it had "been clearly laid out in parliament" that the next revaluation would take place in 2017 and

"The reason we delayed it is because had we gone ahead there would have been more losers than gainers. Hopefully by 2017 we will be in a better state of equilibrium so that the changes won't be quite as dramatic."



These claims are unjustifiable in the eyes of most sectors of the property industry as the majority of occupiers will pay artificially-inflated rates bills linked to pre-crash property values for a further 2 years. The real reason for the delay may lie in the £1billion savings the government are likely to make by not having to make transitional relief payments.

It is a decision many find hard to comprehend and question the government's rationale that it is helping struggling businesses. In fact the Tories were the only major party not to focus on business rates at their conference. Many believe that the business rates system is no longer fit-for-purpose and now is the time for a complete reform of the system. At De Villiers we have a pro-active approach to rate mitigation. If you require advice as to how the proposed multiplier or the delay in revaluation may impact upon your business please contact Paul Wise or Mark Short.



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BEKO project management completion

De Villiers have just completed the project management of the new Beko Plc HQ for over 120 staff. The premises have been fully refurbished including a brand new VRV air conditioning system and lighting system. The scope of the works included a new showroom facility for showcasing Beko products. De Villiers worked with Cube Interiors on the project. Michael Lee, Property Manager at Beko, commented, "The fit out at Croxley Gateway on our new HQ was completed on time and within budget and we were very pleased with the senior and highly responsive service that De Villiers provided."

Beko have purchased Croxley Gateway in Watford from Threadneedle Property Investments. The property extends to 27,500 sq ft over two floors which Beko have improved and refurbished to provide a new corporate HQ including a substantial showroom facility. The property was originally constructed in 1990 and was formerly occupied by Xerox. Beko plc is one of the leading Home appliance companies in the UK and Ireland today, with over 22 million products sold since beginning UK operations in 1991.



Paul Wise, Head of Commercial at De Villiers said "Beko are an exciting and growing company investing in UK property which is becoming a rarity in today's economic environment. Croxley Gateway will fulfil their requirements for showcasing their products and providing extra space for recruitment over the



coming years. Croxley Gateway was identified early on as a standout opportunity to purchase a building in good condition. This transaction proves that there are some great opportunities for cash rich corporates at the moment. We have enjoyed working closely with Beko on fitting out the premises over the last 6 months".



Ragip Balcioglu Managing Director of Beko commented: "Our general vision is to have at least one of our products in every home in the UK. Watford has been a successful base for Beko for a number of years and our new HQ at Croxley Gateway will help us meet our challenges and objectives over the next few years. "



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Office to Residential

We have all seen a lot of publicity surrounding the government's proposal to speed up and simplify the planning system and kick start the economy. At the heart of this was the legislation published in May to allow offices (B1) to be changed to Residential dwellings (C3) without planning consent.

In theory it will free up stock ripe for a change of use, whetting the appetites of buyers sourcing emerging markets but has it had any impact so far. In addition, affordable housing obligations and s106 agreements will not be required on cases where only a change of use is required. This will create a significant market advantage for 'office to resi' schemes as opposed to developments of a comparable size developed on non-office sites.

It looks simple in theory but may be difficult in practice.

As with all permitted development there are limitations:

- The new rules apply only to buildings in B1(a) office use before 30 May 2013.
- Will not apply to listed buildings.
- The scheme can only be relied upon for 3 years.
- A total of 17 councils, including: the City of London, Islington, Hackney, Tower Hamlets, Southwark, Lambeth, Wandsworth, Westminster, Kensington and Chelsea and Camden have been exempted from the scheme.

- The rights only cover change of use – external works in most instances will still require a planning consent.
- In order to rely on these rules an application to the local authority for a determination as to whether prior approval is required in relation to transport and highways impact, contamination or flood risks on site must be made before beginning the development.

Whilst it remains early days for the scheme, it would appear that the demand will be focussed on certain locations where residential values are high enough to justify the conversion. For example, research in Southampton shows that 20% of the vacant office stock is subject to a prior approval applications to qualify for the change of use to residential under permitted development. However coupled with the early introduction of phase two of Help To Buy which means first-time buyers and home-movers can apply for funding on all properties, not just new builds, it may be that the demand for vacant office buildings ripe for conversion is about to take off.



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Over £3,000 raised for Urban Access

It seems a while ago now but I am pleased to say earlier in the summer myself and five friends completed the London to Brussels cycle challenge. I'd like to thank all of you who generously sponsored us.

After 4 days we arrived (on bikes) at the iconic Atomium in Brussels – photo evidence 'above'! The cycling highlights included a long and arduous 90 miles from St Pancras Station to Harwich Port plus a good soaking for an hour long storm on the last day from Breda in Holland on our way to Brussels.

We raised over £3,000 for the Charity which will go a long way to assist those in need of counselling services in the Hertfordshire Area. My colleague James Perris is a trustee of the Charity and is always interested in fund raising ideas so please contact us if you have any ideas. For further information on the charity please go to www.urbanaccess.org.uk

Thanks again for all your support.





New additions to the DeVilliers' team



Sally Higgs, Associate Director

Sally studied at the College of Estate Management in Reading, qualifying in 2006. Sally has worked for several major consultancies concentrating on valuation work for secured lending, tax, matrimonial and probate purposes.

Her experience spans commercial and residential sectors in London and Home Counties.

In her spare time, Sally enjoys playing badminton, walking and travelling to new destinations.

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Tim Holmes, Assistant Surveyor

Tim joined De Villiers in June 2013 having previously gained experience working for a small property investment company and Doherty Baines LLP. Prior to this Tim studied at the University of Edinburgh for his degree and also at London South Bank University where he completed a Postgraduate Diploma in Real Estate.

In his spare time Tim can be found competing in triathlons or sailing although he is busy studying for his RICS APC exams later this month.

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Tom Warren, Assistant Surveyor

Tom has re-joined De Villiers as a graduate having fulfilled an 11 month work placement with us last year. Tom graduated from Nottingham Trent University in July with a 2:1 in Building Surveying and has joined our commercial team as an assistant surveyor working towards his APC.

Outside of work Tom plays football for Harpenden Town FC, supports Manchester United from a distance and is an avid skier.

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Property quiz question

In our second issue we asked 'How many floors does the Shard have?' to which we have had various answers ranging from 72 to 95 but the correct answer actually is 87 floors (we checked with the developers!). Only six people answered correctly out of which the first three were awarded with a case of champagne as promised!

Our lucky winners were:

- Cathy Hyde – Ahli United Bank (UK) PLC
- Mark Ouborg – BNP Paribas
- Claire Dunning – Dragonfly Property Finance

This Issue's question is...

When is the central section of Crossrail Services expected to be in operation for the public?

The first three correct answers will win a case of Champagne.

Entries by 6th December 2013 to info@dv-surveyors.co.uk

