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COMMERCIAL PROPERTY MARKET: VALUATION UPDATE
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Peter Memmott FRICS
Senior Director



The proverbial “green shoots” are starting to appear but not as many as one might wish to see, with considerable differences between property sectors.

There are relatively few transactions and, to some extent, a two tier market is becoming apparent. Individuals/company's assets are having to be sold where agents acting on behalf of insolvency practitioners or selling in distressed situations are taking pragmatic decisions to sell. Sales are taking place at prices below competing properties in order to obtain a relatively quick disposal. Properties which are available with competing commercial agents are consequently at a disadvantage. The circumstances of each property transaction therefore needs to be verified to determine whether that transaction is a comparable transaction for the purpose of Valuation reflecting the Market Value of that type of property asset.

Undertaking Valuations in this market is more difficult, as extensive research is required and in-depth experience counts. My colleagues all have in excess of 15 years experience of valuing in difficult and challenging market conditions. We take the time and trouble to discuss the cases with our lending clients so they clearly understand the issues and rationale behind any adjustments which have been made on Rental and Capital Values on a case by case basis. This enables safer, better and more informed lending decisions to be made.

The availability of finance for residential development in particular is still relatively limited. It is undoubtedly reducing significantly the number of new residential units for private purchase likely to be constructed in 2010. This sounds depressing, I appreciate, but I will try to explain why it is not and why therefore I believe that Developers starting new sites of well located and specified detached houses are likely to do well in current market conditions.

Estate Agents to whom Fairweathers' have spoken generally confirm there is a shortage of product and they are pricing up thereby triggering a potential increase in the Market Value for second hand residential property assets. A modest recovery in residential values arising from product shortage should take out many of those difficult negative equity cases and thereby improve general confidence and potential demand. The premium that purchasers will pay for a new property therefore is likely to increase under these circumstances to the benefit of the Developer and the Lender.

We are seeing clear examples across the Thames Valley, Outer London and in London itself of a recovery in value of residential development sites with clean Planning Consents (no unusual factors). Sales in excess of projected realisations are also occurring; we are even seeing the return of off-plan sales once again, reflecting the scarcity situation.

I am not advocating that we are returning to a boom market or that we will have an enormous recovery in the short term, but the logic and rationale from my perspective suggests the viewpoint of the Developer and Lender is likely to be positive in 2010 irrespective of the result of the forthcoming election.

Recovery is inevitably likely to be faster on better located detached housing sites; it may take a little longer for residential flat schemes to get back into vogue.

From Fairweathers' prospective, things are by no means as bad as the doom-mongers in the market may suggest.

For thorough, expert and proactive advice please contact the following Valuers:

Peter Memmott 07968 030554
Robert Baker 07998 793348
David Eadie 07967 851978

Thames Valley Office
Unit 7 Chalfont Court, Chalfont Way
Earley
READING RG6 5SY

Main Contact: Peter Memmott FRICS, Senior Director
Tel 0118 921 0130
pm@fwsurveyors.co.uk

London Office
33 St James's Square
London
SW1Y 4JS

Main Contact: Robert Baker FRICS
Tel 020 3008 6122
rb@fwsurveyors.co.uk

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