

Property Commentary May 2010

What was it like in 1948?

In autumn 2007 I discussed the Use Classes Order. Today I continue the tale. The topic this time is permitted development rights.

In 1995 an order was made under the Town & Country Planning Legislation concerning rules regarding what extension, improvements and alterations a householder can make to their homes. The 1995 order was amended in 2008. More recently, in March 2010, the Department for Communities and Local Government issued a guidance note. Now I must confess that it is not much fun reading and digesting a 42 page document issued by the State, but analysing it results in some interesting observations.

Like its predecessor, the Use Classes Order, the guidance sets out what you can do with your residential property without the need for planning permission. It's a little bit complicated and much revolves around what was the property size on 01 July 1948. The guidance note sets out various formulas upon which you can determine whether an extension to a house requires planning permission. You have to factor in any extensions which have been built since 1948, but there is still a lot of stock out there which sits on the original footprint.

Moving house is expensive. You have Stamp Duty, agents' costs, legal fees, HIPs and the like. If you have the land then it is worth considering an extension, and if you come across the added bonus of not having to apply for planning permission then you are going to save yourself further money.

But this Newsletter sees an additional advantage as a result of the changes in 2008.

There is shortage of stock to buy. It looks like we may be nearing the end of the recession and given reasonable investment we may see a return to half decent times by the end of the year. There are a number of houses out there which are just short of the required area to convert into flats.

We know that if we increase the density (usage and number wise) of a property then, all other things being equal, value will rise. My tip therefore this time is look at the existing footprint of the building you own or are looking to buy. Ask yourself, has it been extended since July 1948 and whether by taking advantage of the permitted rights you can build out an extension which, when combined with the original house, produces a building (size wise) that could be converted into flats.

Take it a step further. If you intend to sell the flats, spend some time on considering the ground lease terms. A flat under a 99 year ground lease has the same value as that same flat on a 125 year lease or a 999 year lease. At 99 years the reversion is closer and you may get some money to extend the lease.

In between running the practice of Martin DeVarga, I act as an APC doctor. I have to say that my bedside manner is not particularly good. Basically what this "doctoring" involves is acting as a counsellor and supervisor for students who have obtained degrees in property and are seeking to become Members of the RICS. I am currently helping two students and I would like to introduce them to you because as time progresses I can see opportunities which would involve both these qualified surveyors, both of whom have a wealth of experience. I would like to introduce to you Dave Kang and Ricky Paul. Dave has a strong background in development having been at that coal face with his family business for a number of years. His speciality is to identify sites which are within or on the fringes of town centres and which could attract a higher density for development than that which is normally acceptable to the Local Authorities. Ricky brings investment and planning skill, again learnt through working with his family. His speciality is commercial investment and planning work.

Enjoy that which prevails amongst us until 06 May!

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