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30 August 2019

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Dear Tris

Advice – St Michael’s Gate, Parnwell, Peterborough

We have now had the opportunity to inspect a number of the properties at the above development, read lease documentation and undertake necessary enquiries in order to provide you with our preliminary advice in relation to a proposed lease renewal or potential acquisition.

We now report as follows:

Background

The council currently leases the majority of St Michael’s Gate (72 of 74 dwellings) from Stef Philips Limited under a lease which is due to expire 1st November 2019 and has been provided with basic lease renewal terms as well as an indicative price for the council to acquire the freehold interest. We have been instructed to provide advice in relation to the renewal terms as well as the proposed purchase price.

Location

The development is located on the south side of Keys Park which is accessed from Parnwell Way in the Parnwell area of the city approximately 4 miles north east of the city centre. The immediate surrounding area is residential in nature with the Finchfield bungalow development located to the north, Keys Park Caravan Park to the west and a combination of semi detached, detached and terraced housing to the south. A substantial Tesco distribution centre is located to the east of Parnwell Way together with the Kingsgate Conference Centre. The nearest facilities are located at Parnwell local centre to the south which includes a school, convenience store, hairdressers, Chinese takeaway and doctors surgery.

Description

The development comprises a scheme of 74 dwellings (no 13 St Michaels Gate) arranged around a single spine road with a number of spurs leading to block paved parking areas. The development generally provides mature trees and low level bushes to landscaped areas with boundaries of individual dwellings defined in timber fencing. A tarmac surfaced access road and footpaths lead to the block paved spur roads and communal car parking areas although with some providing tarmacked bays.

Offices at:

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The development principally comprises 59 no. 2 storey terraced houses together with 3 apartment blocks providing 15 no. 1 and 2 bedroom flats. Of this however 4 of the houses provide HMO accommodation totalling 21 letting rooms. It appears that the Council do not currently lease nos 12 and 23. We assume therefore that these properties are not included in the proposed new lease or proposed acquisition and have had regard to the remaining 72 dwellings.

We understand that each of the dwellings are of timber framed construction with brick elevations under pitched tiled roofs with a large proportion of the properties providing Dorma and Velux windows. Old style timber framed double glazed windows are provided throughout together with plastic rainwater goods. At the time of our inspection the landlord was in the process of installing gas fired central heating served by combi boilers to each of the dwellings and it is anticipated that this exercise will be completed in a matter of weeks with the exception of the individual flats and the HMO accommodation. At the present however a number of the properties continue to provide electric night storage heating.

Overall the quality of the accommodation ranges from modest to good quality with some of the properties having been refurbished to include modern kitchens and bathrooms. We understand however that this is an ongoing programme and is not the case to each and every property.

During the course of our inspection we were able to inspect one of each house type with the exception of the full detailed accommodation within the HMOs or some slightly larger 2/3 bedroom properties (referred to as Type 5 below).

We were able to gain access to numbers 19, 28, 31 (part only however as this is an HMO), 38, 40, 41, 44 and 56 St Michael's Gate.

We have been advised by the landlord that these are the principal house types with the following accommodation summary for each house type:

Type 1 – comprising 1 bedroom flats with access from shared stairwells leading to an entrance lobby with a storage cupboard housing hot water cylinder together with bathroom, kitchen, lounge and a double bedroom. We estimate the gross internal area of this house type to be 32.89 sq m (354 sq ft).

This type is understood to comprise nos 3, 4, 43, 44, 73 and 74 together with numbers 5, 45 and 75 which are at second floor level and are marginally.

Type 2- comprising 2 bedroom flats again accessed from communal stairwells although some of the ground floor flats have independent access from the garden areas but provide an entrance lobby with storage cupboard housing hot water cylinder, bathroom, 2 double bedrooms and a lounge kitchen which is of a modest size. We estimate the gross internal area of this house type to be 38.14 sq m (411 sq ft).

This type is understood to comprise nos 1, 2, 41, 42, 71 and 72.

Type 3 – 2/3 bedroom properties comprising entrance hallway with good sized lounge, kitchen and a further reception room or bedroom at ground floor level with 1 double bedroom and a single bedroom at first floor together with a family bathroom.

This type is understood to comprise nos 56, 57, 64 and 67.

Type 4 – 2/3 bedroom accommodation of a similar size to type 4 but providing 2/3 bedroom accommodation. We were unable to gain access to this particular house type during the course of our inspection.

This type is understood to comprise nos 20, 21, 22, 27, 33, 34, 35, 36, 59, 60, 65 and 66.

Type 5 – 3 bedroom houses comprising entrance lobby with storage cupboard, lounge, open plan kitchen/diner with pantry cupboard and a further room which could be utilised as a bedroom. At first floor level the accommodation includes 2 good sized double bedrooms together with a bathroom.

This type is understood to comprise nos 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 24, 25, 26, 39, 40, 46, 47, 48, 49, 50, 51, 52, 53, 58, 61, 62, 63, 68, 69 and 70.

Type 6 – 3/4 bedroom properties providing entrance lobby with ground floor cloakroom together with 2 storage cupboards, lounge and open plan kitchen/diner with a bedroom/study provided at ground floor level. At first floor level are 3 further bedrooms together with a bathroom.

This type is understood to comprise nos 28, 54, 55, 18 and 19.

Type 7 - 4/5 bedroom accommodation providing entrance hallway with ground floor shower room, bedroom, lounge and kitchen/diner although in one of the properties a wall has been constructed between the dining room and kitchen meaning that this could provide a further bedroom if required. At first floor level the accommodation comprises 3 further bedrooms together with a bathroom and airing cupboard.

This type is understood to comprise nos 37 and 38.

Type 8 – HMO accommodation. We were only able to gain access to 1 letting room and a communal kitchen at the time of our inspection however the letting room inspected provided open plan bed/sitting room with modern kitchen units with an en-suite shower room. The kitchen located at first floor provides standard wall and base mounted cupboards, stainless steel single drainer sink unit, oven, hob and extractor. We estimate the gross internal area of a typical letting room to be 14.59 sq m with an additional area of 2.5 sq m for the en-suite. We assume that this is a standard room size.

This type is understood to comprise nos 29, 30, 31 and 32.

Energy Performance Certificates

From enquiries made of www.epcregister.com we have identified EPCs for each of the properties which generally range between C (71) and E (53) with all of the EPCs having been registered on 30 April 2019 with the exception of 12 St Michael's Gate which was completed in August 2015.

The only further exception to these ratings however are the HMO properties (29, 30, 31 and 32) which are assessed at either F (29) or F (30). This would therefore mean that these properties would not be capable of being let in the open market however it is our understanding that a domestic property will not be within the scope of the minimum energy efficiency standards if it is a low cost rental accommodation within Section 69 of the Housing and Regeneration Act 2008 and the landlord is a private registered provider of social housing or a social landlord under Chapter 1 or Part 1 of the Housing Act 1996. Solicitors advice would however be required to confirm if the landlord can in fact let these properties as part of a wider lease agreement to the council.

A private landlord cannot however let the rooms in these properties on ASTs without improvements.

The landlord is currently undertaking improvement works to the properties installing gas fired central heating to the two storey dwellings with apartment blocks due to be completed thereafter and a separate arrangement put in place in relation to the HMO accommodation. It may be that at the point of grant of a new lease or an acquisition by the council that all properties have had the central heating installed which may have a positive impact on the EPC ratings for numbers 29-32.

Lease Agreement

We have been provided with a copy lease dated 2 November 2016 the principal heads of terms and covenants of which are as follows:

Heads of Terms	
Demise	Numbers 1 – 75 St Michael's Gate (see comments below)
Landlord	Stef Philips Limited.
Tenant	Peterborough City Council.
Term	2 November 2016 to 1 November 2019.
Security of Tenure	Outside of the Landlord and Tenant Act 1954 Security of Tenure Provisions.

Break Clause	<p>Tenant break option at any time before 9 December 2016 by serving notice no later than 30 November 2016 or on the 2nd anniversary of the term on serving one month's prior notice.</p> <p>A valid break is subject to the tenant providing vacant possession, full payment of all rent and VAT and compliance with the break notice requirements. The tenant is only able to break the lease on the whole of the demise.</p>
Tenant Covenants	
Rent	To pay rent.
Repair	To pay the landlord the cost of any malicious damage where the cost exceeds £250 plus VAT.
Use	To provide accommodation to the tenant to enable it to discharge duties in relation to accommodation to include but not limited to homelessness.
Rates	There is no reference to the tenant having any obligation in relation to council tax with the exception of a liability to pay council tax in relation to the HMO accommodation. The landlord is liable for utilities in relation to the HMO accommodation but not in relation to the other self-contained dwellings to include the 2 storey houses and flats.
Alienation	Not to assign or charge whole or part. Not to sublet the whole. Not to sublet part other than by licence for interim accommodation under Section 188 of the Housing Act 1996.
Alterations	No alterations or additions without landlord's consent (not to be unreasonably withheld).

Insurance	There is no reference to the tenant having any liability in this respect.
Service charge	There is no reference to the tenant having any liability in this respect.
Landlord Covenants	
Quiet enjoyment	To allow the tenant to have quiet enjoyment.
Insurance	To effect buildings insurance during the term.
Repairs	To keep in good repair to a minimum standard identified in schedule 7 and to renew and rebuild where necessary.
Services	To pay rates and taxes where they are the responsibility of the landlord and to pay utilities where they are of the responsibility of the landlord (see above).

The initial rent payable under the lease was £72,817.50 however this was for a small number of properties initially available and there is a schedule contained at part 2 of schedule 4 which identifies the specific rents payable in relation to each of the properties. We calculate this total rent would equate to £965,905 per annum although we have been advised by the council that the passing rent is in the region of £960,000 and in correspondence seen from the landlord this refers to a rent of £900,000.

There are essentially 5 rental levels payable under the schedule as follows:

1 bedroom flats and letting rooms within HMO accommodation - £7,117.50 per annum (£593.13 pcm).

2 bedroom flats - £8,303.75 per annum (£691.98 pcm).

2 and 3 bedroom properties - £12,775 per annum (£1,064.58 pcm).

Larger 3/4 bedroom properties - £14,600 per annum (£1,216.67 pcm).

4/5 bedroom properties - £18,250 per annum (£1,520.83 pcm).

Based on the schedule supplied by the Council there are two properties which are not yet included in the lease which are nos 12 and 23 and we assume that these are not yet owned by the landlord and so are not included in the proposed new lease or the proposed acquisition.

Commentary on Lease

It appears therefore that the current lease places an obligation on the landlord to fully maintain the properties with the exception of instances where malicious damage is caused. The tenant is liable for all council tax and utilities with the exception of the HMO accommodation where the landlord pays utilities.

There is no reference to the tenant reimbursing the landlord in respect of buildings insurance or in relation to any service charge costs in the landlord meeting their obligations in respect of repairs and maintenance.

The principal issue under the lease is the lack of security of tenure granted meaning that the council will have no automatic rights of renewal at lease expiry in under 3 months time and this does therefore compromise the council's negotiation position. Further comment is made later in this report.

Proposed Lease Terms

We understand that the landlord has proposed a new 5 year lease although it is unclear as to whether this would be inside of the Landlord of Tenant Act 1954 Security of Tenure Provisions at a revised rent of £1,032,000 although there has been no breakdown supplied to us or justification for this rent.

However they also propose to charge the council additional maintenance costs as follows:

£480	CCTV maintenance
£1,200	Broadband (it is unclear as to what this relates)
£21,600	Gardening and landscaping
£4,080	Skip hire
<u>£10,800</u>	Labour for moving furniture in and out of dwellings during the course of the year
£38,160 per annum	

Gardening and landscaping costs would normally be a landlord liability which would not be recovered from a tenant on residential properties where standard Assured Shorthold Tenancies (ASTs) are granted and it is unclear as to why the landlord is endeavouring to secure this from the Council. It is unclear as to the basis for this and the other costs but if these are specific requests from the Council due to the nature of the occupation of the houses then these may be reasonable to request. The Council should therefore investigate these in more detail.

We have also been advised that the landlord proposes to install new PVCU double glazed windows at an anticipated cost of £185,000 but again is looking for a contribution towards this cost of 75%. We would normally expect any improvement works to be payable by the landlord unless there is a discernible benefit to the tenant in cost savings for utilities etc. Notwithstanding this there is only a 5 year lease term proposed and the landlord would benefit from these improvements on lease expiry should the council not renew their lease. This proportion therefore appears high in comparison to the security of tenure for the proposed lease term.

It is unclear as to whether the council has contributed towards the ongoing programme or installing gas fired central heating to each of the dwellings but the same principals would apply as we have highlighted above.

Rental Value

We have identified a number of available properties in the immediate vicinity which would be comparable to the accommodation provided within the development assuming that Assured Shorthold Tenancies were granted on each of the dwellings. The comparables identified include:

Martinsbridge – 2 bedroom terraced house currently available at £650 pcm.

Martinsbridge – 2 bedroom terraced house with let agreed at £650 pcm.

Martinsbridge – 2 bedroom terraced house currently available at £600 pcm.

Whitacre – 1 bedroom apartment currently available at £500 pcm.

Willoughby Court – 1 bedroom house currently available at a rent of £495 pcm.

Heron Park- 3 bedroom detached house with garage currently available at a rent of £725 pcm.

Langdyke – 2 bedroom terraced house currently available at a rent of £625 pcm.

Lyvelly Gardens – 2 bedroom flat currently available at £625 pcm.

Lyvelly Gardens – 2 bedroom flat currently available at £600 pcm.

Whitacre – 2 bedroom end of terrace house currently available at a rent of £650 pcm.

Taking the above into account we are of the opinion that market rents for each of the house types assuming the grant of standard 6 months Assured Shorthold Tenancies would in the region as follows:

Type	Description	Rent pcm	Rent Pa	Total pa
1	1 bedroom flats (9 no)	£500	£6,000	£54,000
2	2 bedroom flats (6 no)	£575	£6,900	£41,400
3	2/3 bedroom houses (4 no)	£700	£8,400	£33,600
4	2/3 bedroom houses (12 no)	£700	£8,400	£100,800
5	3 bedroom houses (30 no)	£750	£9,000	£270,000
6	3/4 bedroom houses (5 no)	£800	£9,600	£48,000
7	4/5 bedroom houses (2 no)	£950	£11,400	£22,800
8	HMO Letting rooms (21 no)	£476.66	£5,720	£120,120

Before applying any discount for multiple lettings this would produce a total annual rental income of £690,720 per annum. This is clearly well below the passing rent and proposed rent albeit we acknowledge that the landlord does provide white goods to each of the dwellings. It is unclear however as to whether the landlord provides furniture to each of the dwellings and these factors would need to be added to a market rent.

Notwithstanding this however there is a significant difference between our estimate or market rent and the passing and rent proposed by the landlord.

We would normally expect a discount to be made from the aggregate market rent where a single party is taking multiple properties and particularly in the number of dwellings included under the lease. As far as we are aware the tenant remains responsible for council tax and utilities with the exception of utilities in the HMO accommodation and repairs would normally be a landlord liability under a standard Assured Shorthold Tenancy. Given that the tenant is the council this also provides a more secure income to a landlord than would be the case under multiple individual HMO tenancies.

We again stress that under Assured Shorthold Tenancies we would not normally anticipate tenants to be responsible for repairs and grounds maintenance which would normally be a landlord liability. We accept however that there may be slightly higher than normal maintenance costs for the landlord in this situation compared to private lettings. This however is not certain.

It is therefore unclear as to how the original rents were determined and the consequential proposed increased under the new lease.

Proposed Acquisition

We understand that the freehold interest in the 72 dwellings has been offered to the Council at a price of £13,800,000. Whilst it is unclear as to how this has been arrived at this price would reflect a gross yield of 7.48% on the proposed rent under the new 5 year lease.

It is a rare opportunity to be able to acquire virtually the whole of housing development as an investment and this could prove attractive to an investor.

We have considered the value of the properties on two bases, firstly with regard to the likely aggregate value of the 72 dwellings and secondly assuming a new lease is completed with PCC for a term of 5 years:-

Approach 1 – aggregate value of 72 dwellings

We have initially considered sales of similar properties in the immediate vicinity to include the following:-

Address	Type	Notes	Date	Price	Price PSF
41 Heron Park	3 bed semi	Garage	04/2019	£161,000	£205
47 Lavington Grge	3 bed semi	Parking, good order	03/2019	£172,000	£242
104 Whitacre	3 bed detached	Garage, unmodernised	02/2019	£175,000	£198
42 Heron Park	3 bed semi	Garage, reasonable order	02/2019	£140,500	£189
22 Heron Park	3 bed semi	Garage, dated	01/2019	£155,000	£187
49 Saltersgate	2 bed terrace	Similar design to subject	05/2019	£121,000	£212
47 Martinsbridge	2 bed terrace	Modest specification	03/2019	£125,000	£211
54 Martinsbridge	3 bed terrace	Garage, good order	01/2019	£182,500	£204
23 Martinsbridge	2 bed terrace	Garage very good order	11/2018	£132,000	£240
79 Martinsbridge	2 bed terrace	Modest specification	08/2018	£133,500	£226
28 Heron Park	3 bed semi	Garage, reasonable order	10/2018	£140,000	£173
40 Heron Park	3 bed semi	Garage, dated in places	09/2018	£154,000	£186
60 Heron Park	3 bed semi	Good order	08/2018	£174,000	£210
80 Whitacre	1 bed terrace	Modest standard	03/2019	£90,000	£199
36 Whitacre	1 bed flat	Modest standard	02/2019	£95,000	£152
11 Langdale	1 bed terrace	Modest standard	05/2019	£105,000	£242

We have also identified a significant number of entries in land registry for properties in St Michaels Gate over the past 2 years although it is unclear as to whether these were open market sales or whether they are recorded internal transfers given the number of transactions in a very short period of time. If the latter is the case they may not be representative of market value. Notwithstanding this we summarise the last 18 months transactions as follows:-

Address	Type	Date	Price
23 St Michaels Gate	Type 5 - 2/3 bed house	03/2019	£115,000
16 St Michaels Gate	Type 3 - 3 bed house	12/2018	£146,000
14 St Michaels Gate	Type 3 - 3 bed house	12/2018	£146,000
15 St Michaels Gate	Type 3 - 3 bed house	12/2018	£146,000
12 St Michaels Gate	Type 3 - 3 bed house	11/2018	£105,000
58 St Michaels Gate	Type 3 - 3 bed house	10/2018	£75,000
17 St Michaels Gate	Type 3 - 3 bed house	09/2018	£146,000
26 St Michaels Gate	Type 3 - 3 bed house	06/2018	£146,000
69 St Michaels Gate	Type 3 - 3 bed house	05/2018	£146,000
62 St Michaels Gate	Type 3 - 3 bed house	05/2018	£146,000
68 St Michaels Gate	Type 3 - 3 bed house	05/2018	£146,000
9 St Michaels Gate	Type 3 - 3 bed house	03/2018	£146,000
18 St Michaels Gate	Type 4 - 3/4 bed house	02/2018	£162,500

There is therefore a general tone of £146,000 having been paid for the 3 bed houses with the exception of a couple of anomalies (nos 12 and 58) which are much lower.

We have not inspected all the properties as referenced above and therefore we have assumed that all are of a modest standard with some updating undertaken. Clearly however there will be variations in the individual property values dependent on the individual specifications and these would need to be fully appraised prior to acquisition to determine a more accurate aggregate value.

Taking the above into account we have applied the following a range of values for each property type adopting values in line with the land registry entries identified at St Michaels (as a minimum value) with a second range of values which we consider would be a maximum based on the other sales in the vicinity:-

Type	Description	Min Value	Min Total	Max Value	Max Total
1	1 bedroom flats (9 no)	£75,000	£675,000	£75,000	£675,000
2	2 bedroom flats (6 no)	£85,000	£510,000	£85,000	£510,000
3	2/3 bedroom houses (4 no)	£115,000	£460,000	£130,000	£520,000
4	2/3 bedroom houses (12 no)	£146,000	£1,752,000	£160,000	£1,920,000
5	3 bedroom houses (30 no)	£146,000	£4,380,000	£160,000	£4,800,000
6	3/4 bedroom houses (5 no)	£165,000	£825,000	£185,000	£925,000
7	4/5 bedroom houses (2 no)	£185,000	£370,000	£200,000	£400,000
			£8,972,000		£9,750,000

Type 8 – we have then separately considered the value of the HMOs having regard to a potential gross market rent before deducting for landlord liabilities to include repairs, insurance, fire risk, voids, council tax, cleaning of common parts etc which is typically between 35% to 45% adjustment from the gross rent. Adopting the market rent of £28,600 pa for the 5 bed HMOs (3 no) and £34,320 pa for the 6 bed HMO this produces net adjusted rents of say £17,100 pa and £20,500 pa respectively adopting the mid range adjustment of 40%. We have capitalised the net adjusted rents at a yield of 9% to produce values of £190,000 for the 5 bedroom HMOs (£570,000 total) and £225,000 for the single 6 bed HMO.

This would produce a total aggregate value of between £9,767,000 and £10,545,000. This is before an end allowance is made for acquiring multiple properties which could be at least 10% producing say £8,790,000 to £9,490,000. The mid-point of this range would reflect a gross yield of 7.64% on our estimate of market rent of £699,120 pax.

This is substantially below the price being proposed by the landlord at £13,800,000.

Approach 2 – value assuming PCC take a new 5 year lease

The appeal of the properties on this basis will inevitably be the covenant strength of Peterborough City Council despite the relatively short lease term of 5 years. In part investors may take the view that the Council have the need to house the homeless and the management etc of this number of properties in one location and dealing with one landlord is likely to appeal compared to leasing the same number of properties in varying locations across the city. Such opportunities are rare in the market place except through acquisition of new build properties.

There could be an argument that the Council could be considered a special purchaser taking this into account who should be prepared to pay a premium however equally you would normally expect a discount for multiple properties and the landlord is equally obtaining a more secure income stream for a longer period than the standard 6 or 12 month AST term.

Our approach has been to value the income from PCC for the new 5 year term at both the proposed rent (£1,032,000 pa) and our estimate of market rent (£699,120 pa) applying a yield of 5% to the income stream before then assuming a reversion to market value of the 72 dwellings adopting the adjusted minimum and maximum values of £8,790,000 and £9,490,000 as above.

This produces the following ranges:-

Assuming the rent proposed of £1,032,000 pax	£11,360,000 to £11,910,000
Assuming a market rent of £699,120 pax	£9,920,000 to £10,465,000

All of the above figures are before any adjustment for investors costs which it could be argued should be deducted to include costs at 1.8% and stamp duty at the prevailing rate.

Even before deducting costs therefore these ranges are well below the level proposed by the landlord.

Whilst there could be an argument that PCC are a special purchaser equally the aggregate values of all the dwellings currently leased is well below the value with PCC taking a lease. Any premium paid is likely to reflect a lack of alternatives to the Council in securing this number of dwellings particularly in a single location. Notwithstanding this however the premium being sought over and above the values identified above is, in our view, excessive.

Summary

We summarise the principal queries and comments made in this report:-

- (i) The Council's negotiation position will be considered weak at present as the current lease is outside the Security of Tenure provisions and therefore there is no automatic right of renewal. Whilst the landlord is not likely to replace the same security of income and covenant across the 72 dwellings and indeed rental income, equally the Council may not have any viable alternatives to rehouse the parties in the dwellings at present. There is now a very short period of time to reach agreement before lease expiry and the landlord will be aware of this. The negotiation position is there reliant on the ability for the Council to relocate all the households currently in occupation within a short time frame and the extent to which the landlord will be aware of this in terms of their flexibility on the current proposals.
- (ii) The proposed new lease should be inside the Security of Tenure provisions if appropriate lease terms can be agreed to protect the Council's negotiating position in the future and tenant only breaks should also be sought at periodic intervals to offer the Council flexibility should their position change.
- (iii) The proposed rent is well in excess of the aggregate market rent assuming standard ASTs. Further clarification would be needed to determine whether the landlord is providing any services over and above what would normally be provided under an AST (and which would not be a standard landlord covenant in any event). The landlord appears to now be seeking additional costs on top of the rent proposal for some maintenance which we would normally expect to be a liability that they should bear.
- (iv) The landlord is seeking a substantial proportion of the proposed costs for replacing windows which under a 5 year lease the landlord will be securing the long term benefit both in terms of rental income but more particularly the capital value. We do not consider that this is reasonable or appropriate.
- (v) The quoting price indicated to date is significantly higher than the aggregate market value of the individual properties and indeed our approach subject to the new lease. If the development was acquired by the Council it would be unlikely to realise the same price in the future should their requirement for the accommodation not continue.

- (vi) The position on EPCs on the HMO accommodation needs to be investigated and revised EPCs will be required on completion of the installation of gas fired central heating and the proposed replacement windows.
- (vii) Finally we are aware that the Council have undertaken a costs benefit analysis based on finance costs set against the current rent liabilities however we draw your attention to the comments made above in relation to rents and purchase price.

We trust this is suitable for your requirements at this stage.

Barker Storey Matthews

BARKER STOREY MATTHEWS