



# Leasehold Sales Premiums in Older People's Housing - Dispelling the Myths

Ben Hartley  
March 2017  
#HLINconf2017



carterwood

# On the menu today?



- ▶ Carterwood
- ▶ Sales premium – definition & context
- ▶ Potential influencers
- ▶ Guess the premium
- ▶ Conclusion

# Carterwood overview

- ▶ Buy, sell and provide consultancy advice throughout the UK
- ▶ 45% of our total work is within the not-for-profit sector or with Registered Providers
- ▶ 36% of our consultancy market analysis work in 2016 & 2017 to date has focused upon specialist older people's housing in one form or another – 98% of which relate the private market.



# Definition of a “premium”

*Oxford:*

- 1. “A sum added to an ordinary price or charge”*
- 2. “Relating to or denoting a commodity of superior quality and therefore a higher price”*

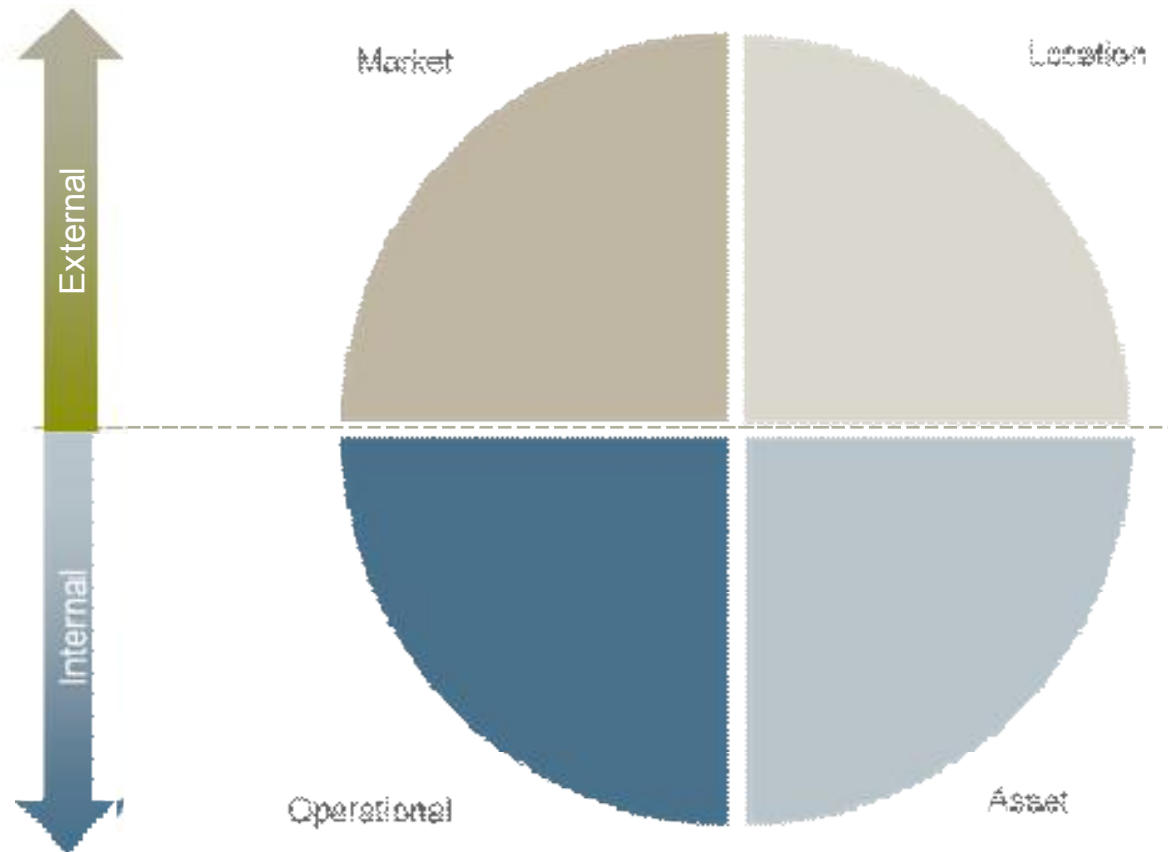
*Cambridge:*

- 1. “An amount that is more than usual”*
- 2. “Used to refer to something that is of higher quality than usual”*

# The older people's housing market



# Potential influences on premiums



# Premium of what?

Premiums need to be assessed on multiple bases not just one:

- ▶ “Developers” approach
- ▶ “Valuers” approach
- ▶ “Wider market” approach

When pricing, it is important to consider:

- ▶ Capital pricing
- ▶ Sales rate per sq. ft.

# Guess the premium – the rules

- ▶ You are in teams.
- ▶ I will explain the background to three actual schemes either recently developed or in the process of being marketed.
- ▶ You have a pack of information (the same information as I will run through with you on the screen now) to use as reference material.
- ▶ Calculators are on your phones...Carterwood pens at the ready..... abacus if required.....



# Scheme 1 – key scheme facts

Map reference	• A
Scheme size	• 61 units
Unit mix	• 42 1-beds, 19 2-beds
Average unit size (2-bed)	• 725 sq. ft.
Scheme type	• <u>No</u> on-site care/facilities other than a warden, lounge and guest suite
Date of first sale	• 22/05/15
Postcode sector average house price	• £459,000

# Scheme 1 – comparable schemes

## Comparable B

- Town centre/high street location
- The property is accessed via a secure gated system that also offers underground parking
- Older scheme started selling in c. 2010 – all comparables are resales in 2015 / 2016
- Part of wider town centre redevelopment
- 100m from subject site

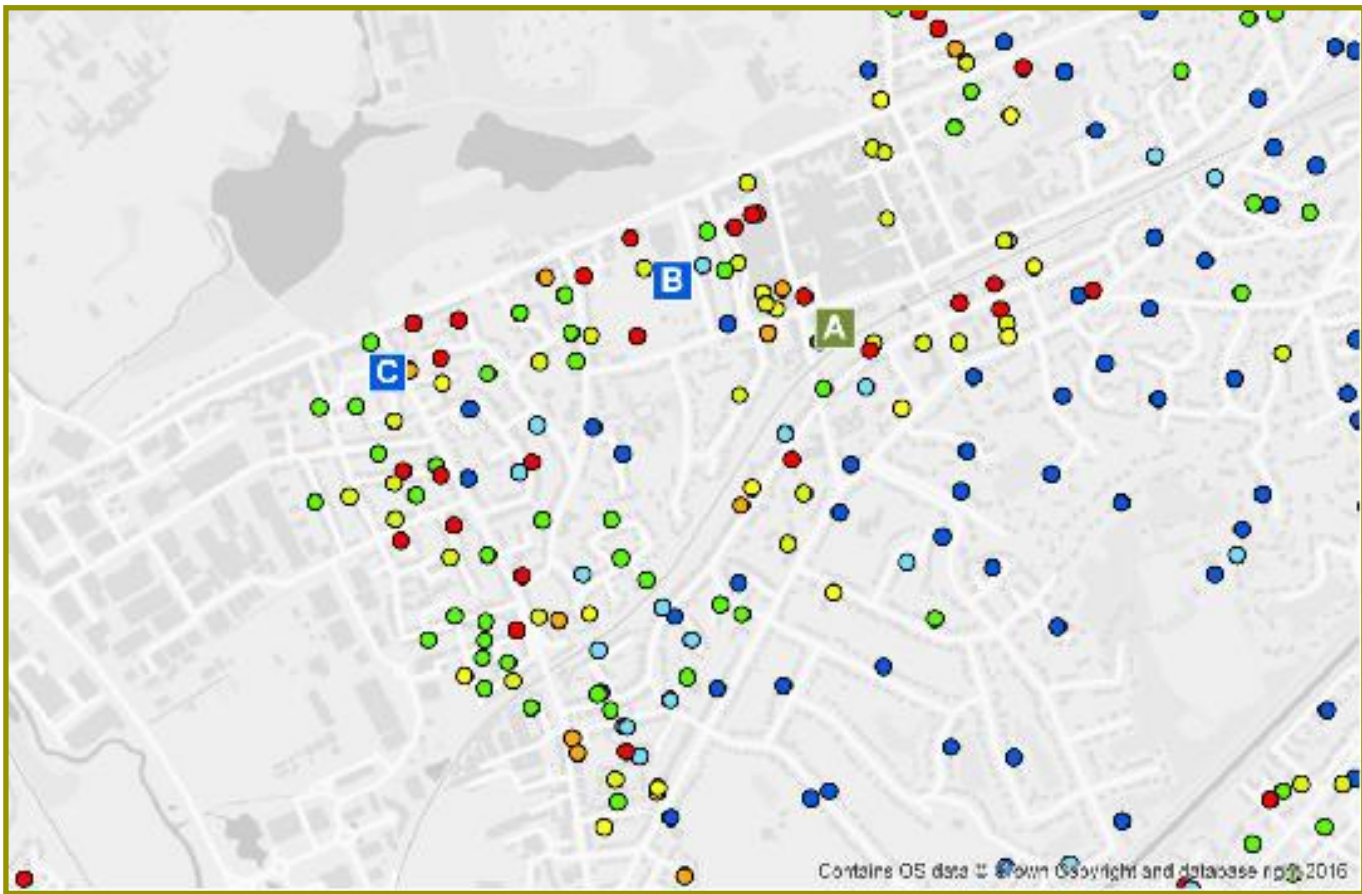


## Comparable C

- Town perimeter location
- Forms early phase of wider redevelopment scheme
- All units sold in 2015
- No communal facilities but on-site parking in gated community
- Good specification
- 500m from subject site



# Scheme 1 – wealth profile



House prices

Range (£1,000s)	No data	<180	180 – 200	200 – 220	220 – 250	250 – 350	350 – 500	500+
Shading		Red	Orange	Yellow	Light Green	Green	Light Blue	Blue

# Scheme 1 – comparable evidence

## Residential comparables – (all actual sale prices)

Scheme name	Type	Sample size	Average		
			Size (sq. ft.)	Capital value (£)	Sales rate (£ sq. ft.)
Comp B	2-bed	5	750	255,100	336
Comp C	2-bed	20	807 (*1)	286,530	421 (*1)
All apartments					
Average	-	25	764	280,244	357

\*1 – only 1 unit of data with floor areas – so only one sales rate per sq. ft. unit available for comparison

# Scheme 1 – comparable evidence

## Residential comparables – (all actual sale prices)

Scheme name	Type	Sample size	Average			Variance		
			Size (sq. ft.)	Capital value (£)	Sales rate (£ sq. ft.)	Size (sq. ft.)	Capital value (£)	Sales rate (£ sq. ft.)
Comp B	2-bed	5	750	255,100	336	732 - 764	245,000 - 275,000	325 - 343
Comp C	2-bed	20	807 (*1)	286,530	421 (*1)	-	260,000 - 340,000	-
All apartments								
Average	-	25	764	280,244	357	732 - 764	245,000 - 340,000	325 - 343

\*1 – only 1 unit of data with floor areas – so only one sales rate per sq. ft. unit available for comparison

# Guess the premium?



# Scheme 1 – answers

▶ 2-bed average sales premium (rate per sq. ft.) **58%**

▶ £565 vs £357 psf

▶ 2- bed average capital pricing premium **48%**

▶ £415,000 vs £280,000 per unit

# Scheme 2 – key scheme facts

Map reference	• A
Scheme size	• 116 units
Unit mix	• 38 1-beds, 78 2-beds
Average unit size (2-bed)	• 1,326 sq. ft.
Scheme type	Full on-site care / facilities including spa / swimming pool, restaurant gym, care village substantial grounds, etc
Date of first sale	• 01/12/15
Postcode sector average house price	• £341,000



# Scheme 2 – comparable schemes

## Comparable B

- Edge of town location – adjoining settlement
- Built in 2005 – all units are resales in 2015/16
- Gated community as part of wider housing scheme
- Communal gardens & parking
- Next to train station
- 1.3km from subject scheme

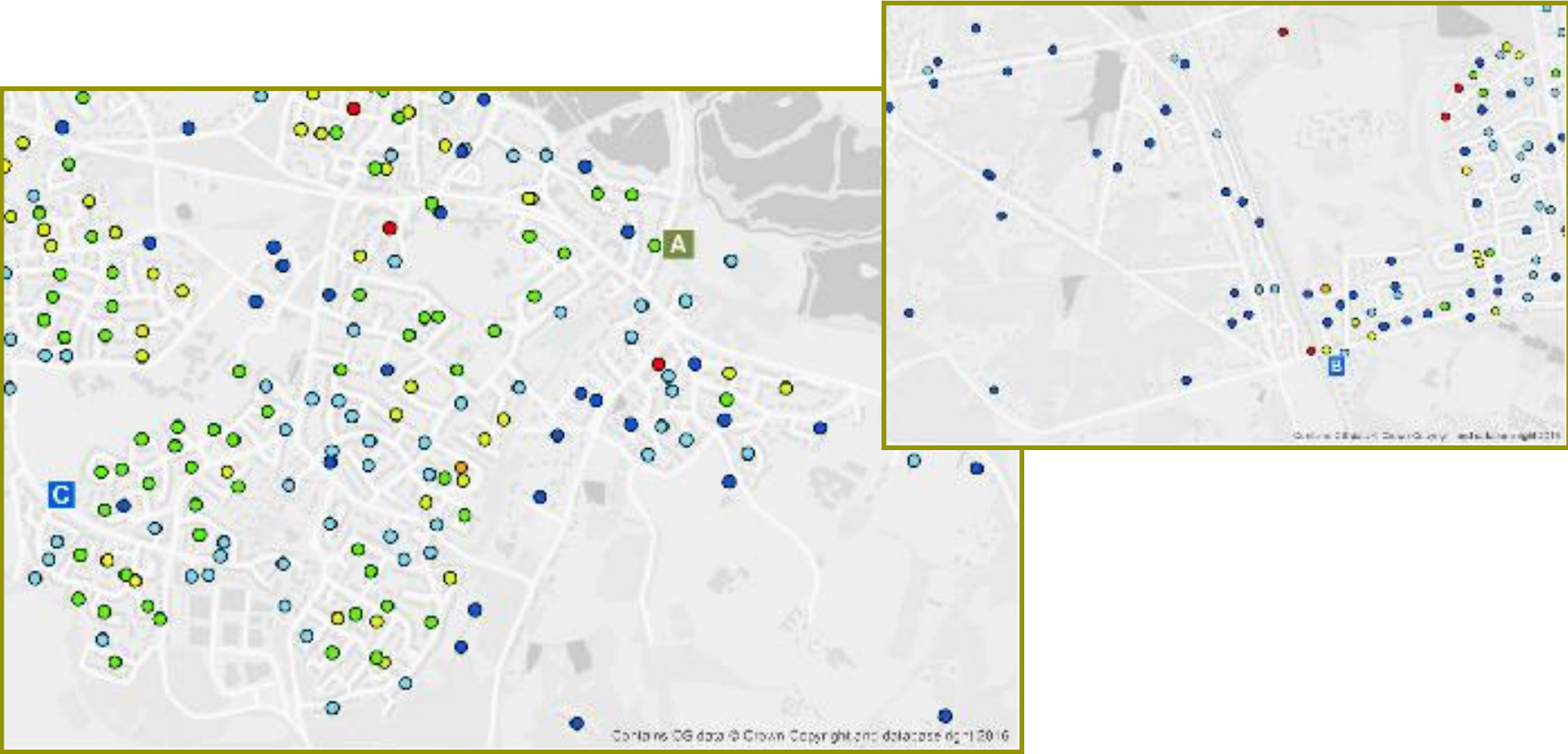


## Comparable C

- Built pre-2007 – all units resales in 2015 / 2016
- Parking space per unit
- Small communal gardens
- Moderate quality setting surrounded by mixed quality housing
- 500m from subject scheme



# Scheme 2 – wealth profile



House prices / wealth profile

Range (£1,000s)	No data	<180	180 – 200	200 – 220	220 – 250	250 – 350	350 – 500	500+
Shading		Red	Orange	Yellow	Light Green	Green	Light Blue	Blue

# Scheme 2 – comparable evidence

## Residential comparables – (all actual sale prices)

Scheme name	Type	Sample size	Average		
			Size (sq. ft.)	Capital value (£)	Sales rate (£ sq. ft.)
Comp B	2-bed	2	721	278,750	387
Comp C	2-bed	4	616	233,738	381
All apartments					
Average	-	6	651	248,742	383

# Scheme 2 – comparable evidence

## Residential comparables – (all actual sale prices)

Scheme name	Type	Sample size	Average			Variance		
			Size (sq. ft.)	Capital value (£)	Sales rate (£ sq. ft.)	Size (sq. ft.)	Capital value (£)	Sales rate (£ sq. ft.)
Comp B	2-bed	2	721	278,750	387	710 – 732	270,000 - 287,500	369 - 405
Comp C	2-bed	4	616	233,738	381	549 – 764	200,000 – 279,950	351 - 410
All apartments								
Average	-	6	651	248,742	383	549 – 764	200,000 – 287,500	351 - 410

# Guess the premium?



# Scheme 2 – answers

▶ 2-bed average sales premium (rate per sq. ft.) **-6%**

▶ £360 vs £383 psf

▶ 2-bed average capital pricing premium

**105%**

▶ £511,000 vs £249,000 per unit

# Scheme 3 – key scheme facts

Scheme size

- c. 60 units

Unit mix

- 20 1-beds, 40 2-beds

Average unit size (2-bed)

- C. 800 sq. ft.

Scheme type

Standalone extra care scheme - on-site facilities including restaurant, lounge with 24 hour on-site care but not a care village and no swimming pool/spa

Date of first sale

- Not applicable as new site

Postcode sector average house price

- £242,000

# Scheme 3 – comparable evidence

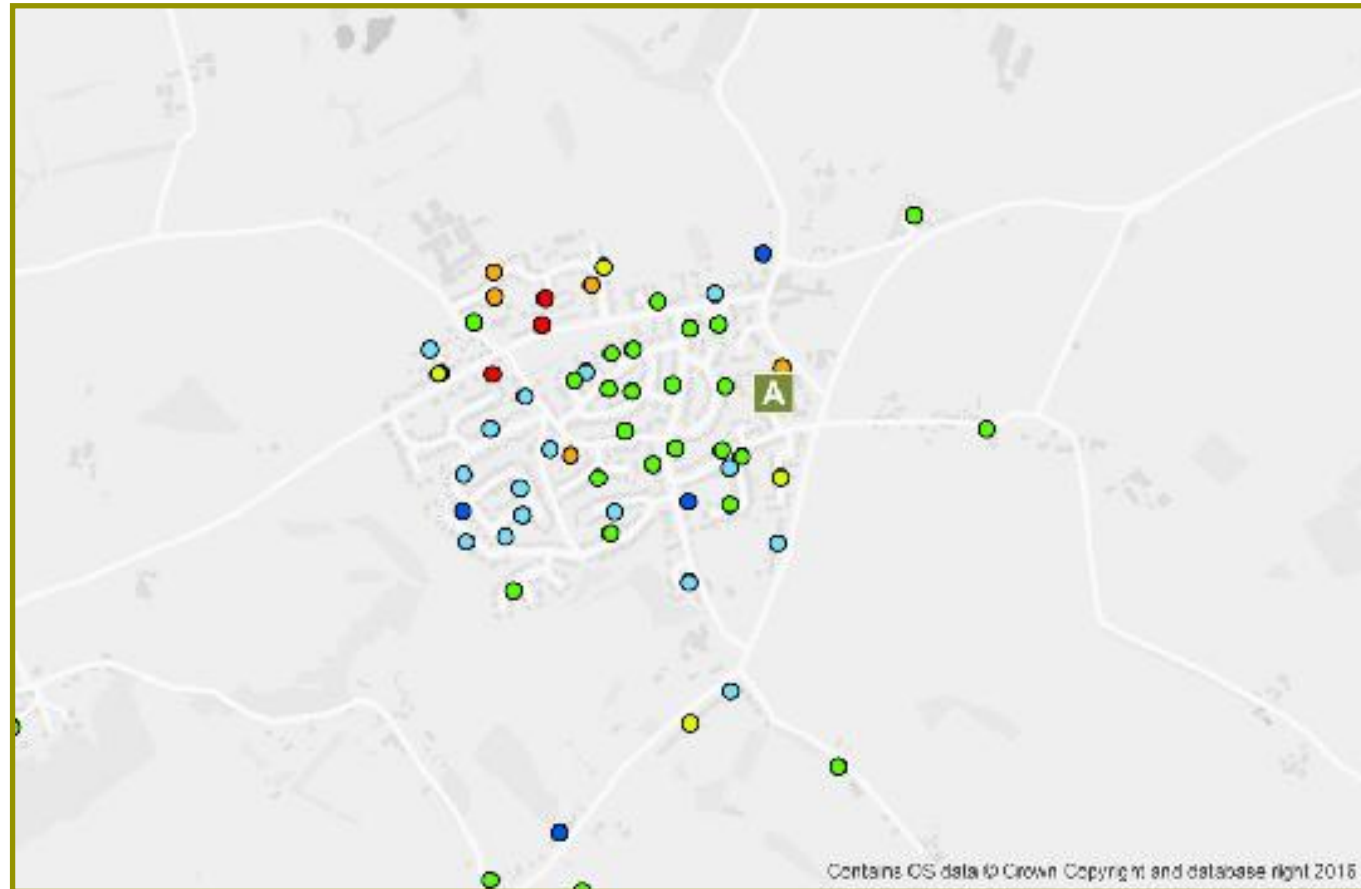
## High Street

- Only apartments in the town are secondary / tertiary units above shops in a 1970s retail arcade:
  - 1-bed units sell for c. £110,000
  - 2-bed units sell for c. £140,000
  - Both at or around £150 per sq. ft.
- In addition to above, one former McCarthy & Stone 1980's sheltered housing block in the town – selling 2-bed units for an average of £115,000 – around £160 per sq. ft.





# Scheme 3 – wealth profile



House prices / wealth profile

Range (£1,000s)	No data	<180	180 – 200	200 – 220	220 – 250	250 – 350	350 – 500	500+
Shading		Red	Orange	Yellow	Light Green	Green	Light Blue	Dark Blue

# Guess the premium?



# Scheme 3 – answers

▶ 2-bed average sales premium (rate per sq. ft.) **238%**

▶ £381 vs c. £160 psf

▶ 2-bed average capital pricing premium

**252%**

▶ £315,000 vs c. £125,000 per unit

# Conclusions

- ▶ Huge number of inter-related and overlapping variables need to be taken into account.
- ▶ Be cautious of anyone brandishing the “extra care” or “OPH” premium levels around willy-nilly.
- ▶ Understand and research the comparable quality – the closer the comparables are to the proposed product the lower (generally) any applicable premium and vice versa.
- ▶ Premium on a capital pricing or rate psf basis?
- ▶ Unit size and impact upon capital pricing / target market?
- ▶ Development-led model or long term operational play?
- ▶ What is the level of expertise at handling sales / marketing?
- ▶ This is only one part of the puzzle .....

# Any questions?

**Contact:**  
**Mr Ben Hartley**  
Director

**M: 07866 617925**  
**E: [ben.hartley@carterwood.co.uk](mailto:ben.hartley@carterwood.co.uk)**

**Aztec Centre, Aztec West, Bristol BS32 4TD**  
**T: 08458 690777**      **E: [info@carterwood.co.uk](mailto:info@carterwood.co.uk)**  
**F: 01454 838048**      **[www.carterwood.co.uk](http://www.carterwood.co.uk)**

**#HLINconf2017**

