



PRACTICE BRIEFING

Valuations and Affordability of Extra Care Housing

Introduction

This briefing suggests that specialist valuation advice, at an early stage of an Extra Care Housing scheme, can have significant savings by avoiding abortive and duplicated costs.

The need for Specialist Valuation Advice

The need to obtain specialist valuation advice falls into three broad categories:

- To determine viability of the scheme
- To satisfy HCA requirements
- To satisfy lender requirements or scheme partners requirements

Furthermore, incorrect low values are likely to result in the scheme being shelved at a very early stage resulting in abortive costs. On the other hand, over optimistic values may result in not achieving sales income forecasts leading to the scheme failing to generate sufficient receipts resulting in financial shortfall.

Why should you take care in selecting an RICS Valuer?

It is important to take care in the selection of a Chartered Surveyor when wanting to value Extra Care Housing as the valuation of Extra Care is a specialist area and:

- It is still a relatively new concept
- Only a handful of Chartered Surveyors have the appropriate skill, knowledge and experience
- The valuer should have a track record in Extra Care
- “Horses for courses”
- Comparables selected from wrong sector i.e. sheltered housing or general housing will give incorrect valuations

Failure to select the right valuer can result in:

- The “added value” of Extra Care being overlooked
- Low values resulting in scheme non viability
- High values and an unsaleable scheme
- Having to commission another valuation
- Conflicting and confusing advice

Timing

To keep potentially abortive costs to a minimum, sound valuation advice should be obtained at the earliest opportunity. This can be achieved by obtaining:

- Informal indicative values from the outset
- Formal RICS (Red Book) valuation later

This will not duplicate valuation costs. The informal valuation can be based upon a simple sketch layout of the proposed scheme along with an inspection of the site by the valuer. Detailed research will be undertaken at the outset by the valuer and this will be valid for the formal valuation undertaken at a later stage.

Methodology

The Valuer will use the comparative method of valuation, namely:

- That is comparison of the subject property with sales of similar Extra Care housing schemes
- She/He can look further a field for comparisons if the situation demands
- The Valuer needs to be closely involved with or have access to sales and letting of units within Extra Care Housing schemes.

Factors affecting value

There are a number of factors that can have an impact on value. These include:

i) Location

The expression 'location, location, location' still holds water when valuing Extra Care Schemes. The Housing LIN Resource Pack to Strategic Housing for Older People (Section B) sets out the key location factors for an Extra Care Scheme. These are as follow:

Accessibility

- Is it easy to walk on and off the scheme?
- Are the surrounding areas wheelchair accessible?

Local Services

- Is there level access to community facilities, including shops, leisure facilities, health centre etc?
- Is there access to local transportation services?

Social Inclusion

- Is the scheme likely to attract local people?
- Is its location likely to facilitate continued contact with friends?
- Will residents be able to access local activities they have engaged in prior to moving?

Community Integration

- Does the proposed scheme link with other older people's services?
- Will the residents be able to access the services?
- Will people living nearby be able to access services within the scheme?

Safety

- Is this an area that will be attractive to older people in terms of feeling safe?
- How will the design of the scheme combat any perceived risks?

Failure to meet these key factors will affect the demand for the scheme which will, in turn, affect the value of the individual units.

ii) Affordability

The key location factors described above indicate that an Extra Care Housing scheme will attract local people:

- The main demand will come from the immediate surrounding area
- The elderly do not want to move away from friends and family, familiar surroundings and services
- Purchase will usually be financed by the sale of the family home
- The ceiling for values will, therefore, be determined by the value of properties in the immediate locality
- Problems will arise if the sale values of the Extra Care units exceed the tone of values for the immediate locality

iii) Care profile

Recent research by both ILC-UK (*Establishing the extra in Extra Care*, 2011) and PSSRU (*Improving housing with care choices for older people: an evaluation of extra care housing*, 2011) has shown that well planned and designed Extra Care Housing which offers a lifestyle choice with the availability of care and support can improve health and wellbeing.

Approximately 75% of retirees are “active elderly” – few of which do not want to follow the well trodden path into residential care. It is accepted that some providers will want medium to high care profiles but it must be recognised that this can affect demand and, therefore, value of the units within the scheme.

iv) Design

For comprehensive information on design issues and extra care housing, please refer to Housing LIN Fact Sheet number 6 dated 13 February 2008. This fact sheet sets out the design principles which should be followed to ensure that there is a good demand for the scheme and the units are readily saleable.

It goes without saying that a well planned scheme meeting the required design concept will attract greater demand and consequently higher values than a scheme that is poorly designed.

Conclusion

The value or rents of the finished Extra Care Housing units is critical to the viability and financial success of the scheme. Obtaining specialist valuation advice at an early stage in the process is key to getting a scheme off the ground.

About the Housing LIN

We are the leading national network for promoting innovative new ideas in enhancing the housing choices for older people and supporting change in the delivery of housing and related care and support services. The Housing LIN formerly managed the Department of Health's Extra Care Housing Fund and continues to raise the profile, raise the standards in housing with care.

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