National Audit Office

Key findings from an investigation into low- and medium-value property sales

National Audit Office • September 2017 • DP 11557-001

National Audit Office

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What this investigation is about

Central government bodies are selling surplus assets to meet government targets to realise £5 billion of receipts from the sale of land and property by 2020, and to release land for homes. Government bodies are required to report their asset sales to the Cabinet Office. The Cabinet Office's data shows that between April 2010 and March 2016 there have been at least 2,400 sales of property at £1 million or less, totalling £390 million.

Departments are required to sell or transfer surplus assets at market prices and follow other protocols set out in Managing Public Money. This includes seeking professional advice on market valuations prior to sale.

There are several risks associated with low-and medium-value property sales, including:

- lower levels of controls that may compromise the achievement of market value; and
- sales may be rushed in order to release cash sooner.

We undertook a high-level review of Cabinet Office disposals data which identified a number of low- and medium-value sales that appeared to be at a fraction of market value when compared to similar properties. As a result we undertook an investigation into whether government bodies are achieving market value prices from property sales. For a sample of sales from Cabinet Office data, we investigated:

- the approach taken to valuation prior to sale;
- the methods used to sell property;
- how valuations compared with sales proceeds achieved; and
- whether consideration was given to the future potential use of properties.

We selected a risk-based judgemental sample of 29 items from Cabinet Office data on disposals in 2014-15 and 2015-16. We focused on five government bodies with large property portfolios. We reviewed each sale against the areas of concern identified above. Our findings should not be taken as representative of all government property sales or of all sales by the organisations sampled. Further detail on our testing methodology is set out in the Appendix.

Key findings

We have set out our key findings against each area of concern below. The findings are based on the results of our sample test of sales which should not be taken as representative of all government property sales. Further detail on the findings for each body tested are set out on the following pages.

Area of concern	Key findings
The approach taken to valuations prior to sale	All sample items tested were subject to some form of valuation before they were sold. In its guidance on disposals, Managing Public Money says that bodies should take professional advice. 20 out of 29 sales in our sample had formal valuations to Royal Institute of Chartered Surveyors (RICS) 'Red Book' standards. Other types of valuation were market appraisals provided by estate agents and auctioneers, and internal valuations completed by in-house surveyors. In all but three cases, a market value basis was used.
The methods used to sell property	Where appropriate, sales took place on the open market through a variety of methods including public auction, formal or informal tender and private treaty. In four out of 29 cases government bodies considered that the best option was to negotiate a sale with adjacent land owners or other special purchasers, particularly where interest in the property was limited. In a further six cases, there were legislative or contractual restrictions which meant that the potential market was limited.
How sales proceeds compared with the valuations obtained	25 out of the 29 properties we tested sold at or above the valuation obtained. In the four cases where a property sold below the valuation, there were either restrictions in place or limited interest in the property.
Consideration given to the future potential use of assets	We considered that there was development potential for 18 of the properties we tested but we found that bodies did not always implement measures to achieve a stake in future gains where properties had potential for future development. • In 20 out of 29 cases bodies had not used overage, which gives the seller a share in any gain in value once the property has been resold or received planning permission. These included three sales where planning permission for future development has since been granted which will most likely increase the values. • Some bodies routinely use overage but there was significant variance between the case studies.

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Detailed findings

The following pages contain dashboards summarising the results of our sample testing aggregated for all 29 sales we looked at and for each organisation we sampled from.

Aggregate findings

Summary

We tested 29 sales of land and property.

25 properties (86% of our sample) sold at or above their valuations with 8 (28%) being sold at more than 10% above valuation.

Formal Red Book valuations were obtained for 20 (68%) of the properties tested. In some cases, multiple valuations were sought for the same property.

We considered that there was potential for enhancement or development for 18 of the properties we tested. Despite this, only nine properties were sold with overage provisions.

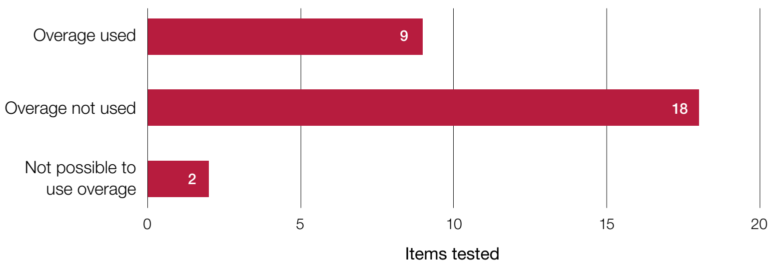
Difficulty with producing valuations was common in our sample. A number of the properties lacked comparable evidence of market value.

Various sales methods were used. For instance, some bodies tended to negotiate sales with relevant parties where there was limited interest, rather than using the open market.

Most items we tested were in poor condition and required some form of refurbishment or redevelopment. In a few cases additional work was carried out to increase the value of the properties before sale.

Zoom Out Zoom In+

Future use of the assets

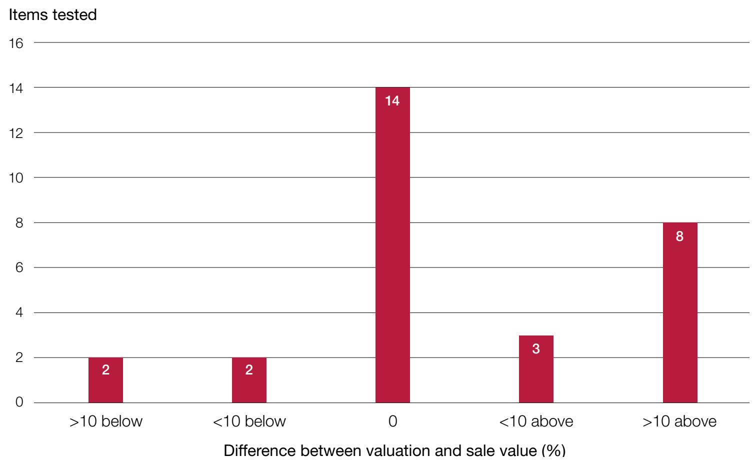


Five properties have had planning permission granted since being sold. None of these sales included overage provisions.

One property has undergone substantial redevelopment since it was sold. Overage was rejected by the buyer.

Zoom Out Zoom In+

Difference between valuation and final sale value

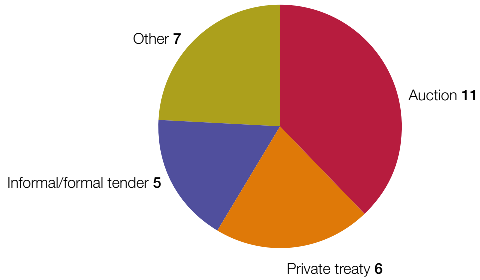


The highest percentage increase from the valuation was **345%** **(£69,000)** on a lock-up garage.

The largest percentage decrease was on a building which sold at **22% (£88,000)** below the valuation. There were a number of valuations for this property which fluctuated substantially throughout the project due to identifying abnormal development costs.

Zoom Out Zoom In+

Sale methods and valuation



Sale:

- Four sales were to the existing tenants or users of the property.
- In some cases there was a long period between valuation and sale. The longest delay was two years and nine months.

Valuation:

- Formality of valuation varied between sales tested.
- 20 properties had RICS Red Book valuations.
- Two properties had internal valuations.
- Five properties were subject to market appraisal.
- Two properties did not require valuation.

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Defence Infrastructure Organisation

Summary

We tested six sales selected from 2014-15 and 2015-16 Cabinet Office disposals data.

Five sales were at the valuation or above.

Formal Red Book valuations were obtained for three of the properties tested. Two properties were subject to valuations prepared by internal surveyors and one was subject to a market appraisal.

Three properties were sold directly to the existing tenants or users. Two of these had long-term tenancies protected by the Agricultural Tenancy Act which lowered the market value.

One property, which was sold below the valuation and without overage, has subsequently received planning permission to develop 98 flats. The Defence Infrastructure Organisation attempted to include overage but this was rejected by the buyer.

Zoom Out

Zoom In +

Future use of the assets

The future use and development potential of the properties were considered in all cases tested. In three cases some form of development potential was identified.

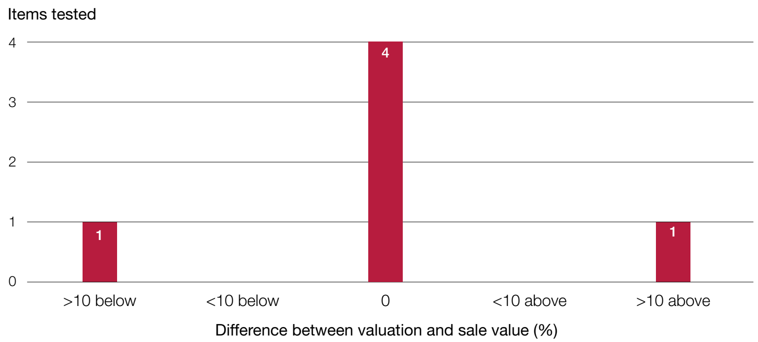
Despite this, the Defence Infrastructure Organisation did not use overage in any of the sales. The Defence Infrastructure Organisation offered sites with and without overage clauses and no bids were received for the contracts including overage. Planning permission has been granted for 98 flats on one of these sites.

One site was sold with restricted use as allotments or gardens. As such no overage was applied.

Zoom Out

Zoom In +

Difference between valuation and final sale value



Four properties were sold in line with their valuations. One of these was valued by the auctioneer rather than having a formal valuation.

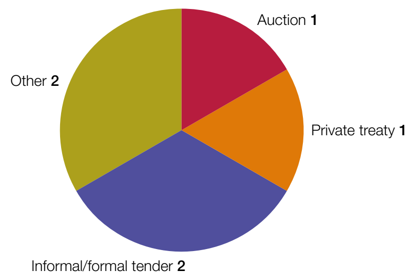
The highest increase on valuation was **164% (£26,000)** on a piece of land that was valued by internal RICS-qualified surveyors.

The only decrease was on a building that sold for **22% (£88,000)** below the valuation. There were a number of valuations for this property and these fluctuated substantially.

Zoom Out

Zoom In +

Sale methods and valuation



Sale:

- Two sales were to the existing tenants of the properties. These were long-term tenancies that were protected by the Agricultural Tenancy Act.
- An allotment was sold to the existing user.
- All other sales were carried out on the open market.

Valuation:

- The Defence Infrastructure Organisation used numerous valuation techniques.
- Three properties had RICS Red Book valuations.
- Two properties had internal valuations.
- One property was subject to market appraisal.

Environment Agency

Summary

We tested six sales selected from 2014-15 and 2015-16 Cabinet Office data.

Formal valuations were not obtained for half of the sample items tested; market appraisals were obtained instead.

All valuations were carried out externally to the Environment Agency, although four were carried out by the same agents that sold the property.

Valuation reports and market appraisals carried out for the properties often noted uncertainty in the valuation due to undesirable conditions, or a lack of market interest.

All properties were initially placed on the open market, but there was difficulty in selling at least three of the properties. In two cases alternative sales methods were used to finally sell the properties.

Overage was only used in one sale.

Zoom Out Zoom In +

Future use of the assets

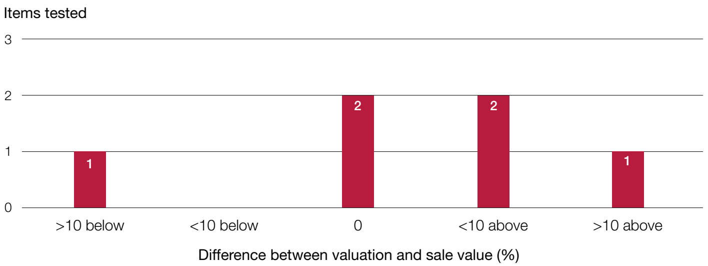
One sale included environmental restrictions which led to a reduced valuation.

One property was sold on five months after the initial sale, at a 27% increase. The site subsequently received planning permission for a new house.

Planning permission was granted for another site after the sale. This was to change the use from vacant to car sales. The Environment Agency sold the property to aid regeneration in the local area.

Zoom Out Zoom In +

Difference between valuation and final sale value



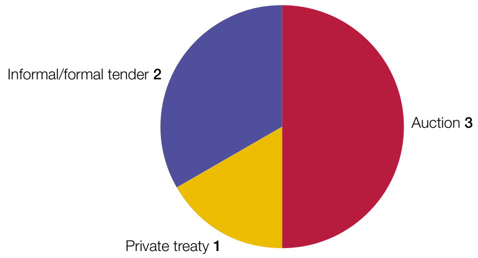
The sample included a number of unusual properties that agents had difficulty valuing.

The largest increase was on a depot that sold for **40% (£14,000)** above its valuation.

A house with water and sewerage problems sold at **11% (£8,000)** below the auction guide price after an initial, higher offer failed when the buyer pulled out of the sale.

Zoom Out Zoom In +

Sale and vaulation methods



Sale:

- Three properties were sold at auction, two of which had previously failed to sell by other methods.
- Two properties sold via informal tender with varying levels of interest. One property sold via private treaty with open marketing after failing to sell by informal tender.
- In three cases there was a long period between valuation and sale. The longest delay was two years and nine months.

Valuation:

- Only three items had formal Red Book valuations.
- There was difficulty valuing a number of the sites due to poor condition, unfavourable location, or restrictions in place.

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What this investigation is about

Key findings

Detailed findings

Aggregate findings

Defence Infrastructure Organisation

Environment Agency

Ministry of Justice Estates Directorate 1 of 1

NHS Property Services

Homes and Communities Agency

Case studies

Appendix – Methodology

Ministry of Justice Estates Directorate

Summary

We tested six disposals selected from 2014-15 and 2015-16 Cabinet Office data.

Five items had valuations carried out in accordance with the RICS Red Book.

For one item, a Red Book valuation was deemed inappropriate and a market appraisal from an agent was obtained instead.

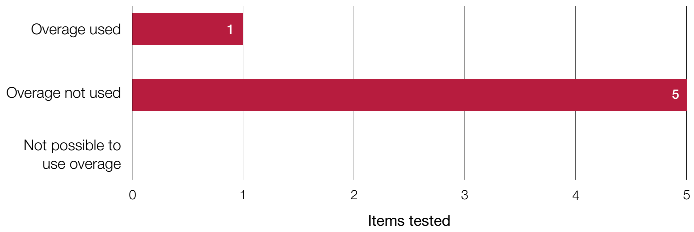
All properties were disposed of on the open market.

Variances between valuations and sale proceeds shows the difficulty in valuing properties where there is limited interest.

Consideration was given to the future use of assets during the valuation process. Despite this, overage was included in just one sale.

Zoom Out Zoom In +

Future use of the assets

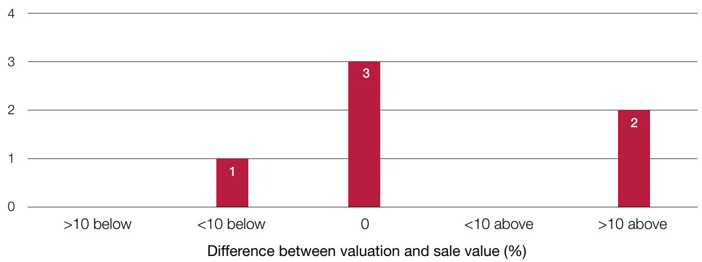


Surveyors considered an alternative use for four of the items tested. In each case it was considered that assuming an alternative use would not increase the sales value of the property.

Overage was included in one sale tested. This related to a strip of land that had some development potential. Planning permission has since been obtained on one of the sites tested. The sale of the site did not include overage.

Zoom Out Zoom In +

Difference between valuation and final sale value



One property sold for **5% (£4,500)** below the valuation that was based on a marketing report produced by an agent. There was limited interest in the property with only one offer received.

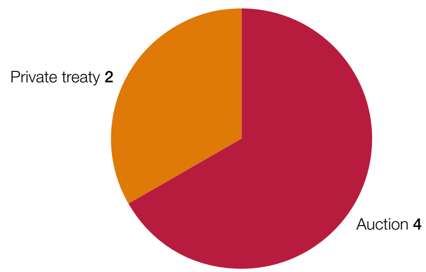
Two properties sold substantially above initial valuations.

The highest increase was **345% (£69,000)**. This was achieved on a lock-up garage that has since received planning permission for conversion to a two bedroom house.

A **13% (£50,000)** increase was also achieved on a residential property.

Zoom Out Zoom In +

Sale methods and valuation



Sale:

- Four properties were sold at auction at or above their valuations. One property had previously failed to sell via tender on the open market.
- Two properties were disposed of via private treaty. Interest in these properties was low with only one offer received per property.

Valuation:

- Five items had formal Red Book valuations. Two were valued independently of the agent that sold the property. All were carried out independently of Ministry of Justice.
- One property was valued based on a market appraisal.

NHS Property Services

Summary

We tested six sales selected from 2015-16 Cabinet Office data.

NHS Property Services obtained independent Red Book valuations for all items that required this.

One item did not need a valuation because it was a sale prompted by the buyer exercising a contractual option to buy at a contractually agreed price.

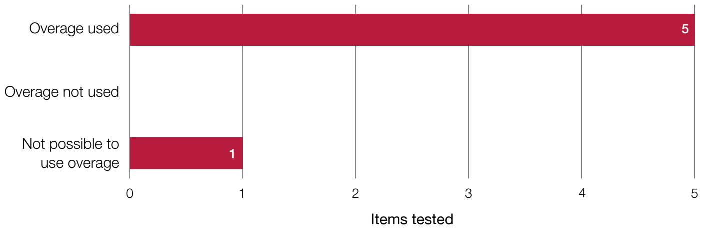
Four properties had additional valuations – from auctioneers, estate agents or other surveyors.

Some items were difficult to value due to uncertainty about their possible potential future use. Different surveyors made different assumptions which led to varying valuations.

Five sales included overage. The other sale could not have included overage.

Zoom Out Zoom In+

Future use of the assets

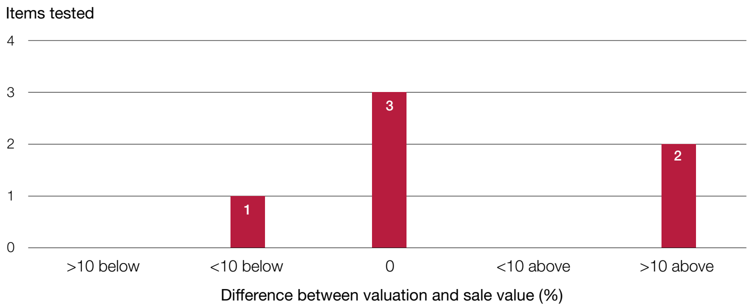


The sale of a freehold triggered by a contract option could not have included overage.

No subsequent planning applications or sales have been identified for these properties.

Zoom Out Zoom In+

Difference between valuation and final sale value



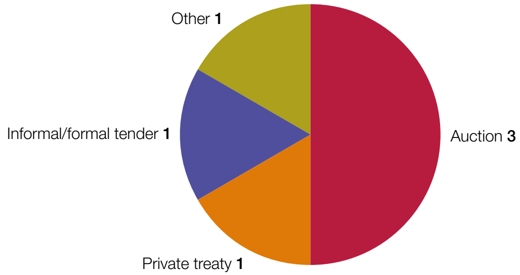
The largest difference was a **343% (£515,000)** increase on a piece of land in London.

One property sold for **16% (£11,000)** above the valuation.

One item sold at **2% (£2,500)** below the expected sale price in the valuation. The final sale price was **10% – 38%** above an initial assessment by the auctioneer.

Zoom Out Zoom In+

Sale methods and valuation



Sale:

- One item was the sale of a freehold due to the leaseholder exercising its contractual option.
- There was a significant delay between the decision to sell and the sale for two items. In one case this was due to previous failed sales and in the other it was due to a title dispute.

Valuation:

- Five items had independent Red Book valuations.
- One item did not require valuation.
- Four items were also subject to alternative appraisal.
- There was difficulty valuing some items because of different assumptions about their potential use.

Homes and Communities Agency

Summary

We tested a total of five Homes and Communities Agency sales selected from 2015-16 data.

The sample confirmed that the Homes and Communities Agency obtained market valuations for all properties where appropriate and that all properties were disposed of at or above their valuations.

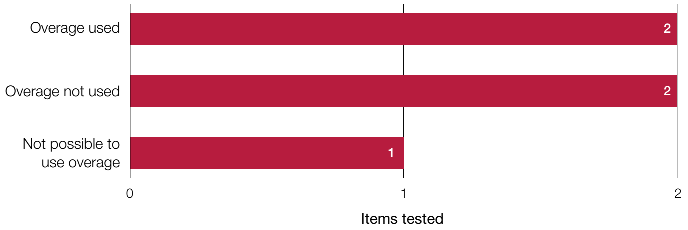
The future use of assets was actively considered and overage was included in two sales.

Most properties were offered on the open market but not all were finally sold on the open market. This was due to lack of interest in the properties.

We observed that the documentation provided by the Homes and Communities Agency generally contained more financial analysis than those we have seen for other organisations including projected cashflows (showing receipts and lost income), valuation trend over three years (with explanations) and assessment of options.

Zoom Out Zoom In +

Future use of the assets



Two disposals included ten-year 50% overage.

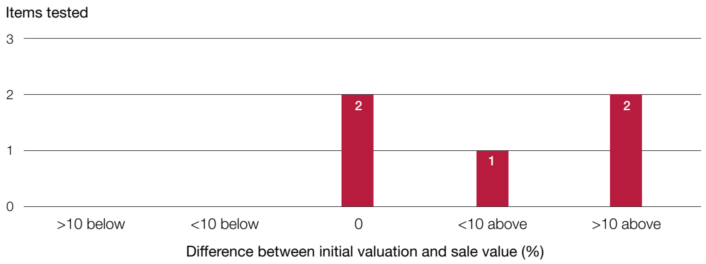
The Homes and Communities Agency considered overage for a further site but rejected it as it would have stifled future development and put the offer at risk.

A small strip of landlocked land was not capable of being developed independently, so overage was not appropriate.

The Homes and Communities Agency's sale of a share in a shared-ownership property could not have used overage.

Zoom Out Zoom In +

Difference between valuation and final sale value

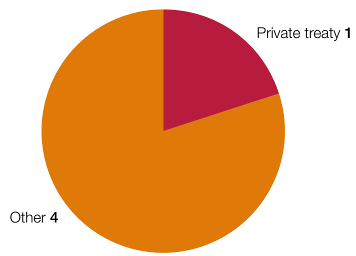


The highest increase on valuation was **265% (£2,250)**. This was on a small strip of land.

A **71% (£250,000)** increase was also achieved on a carpark. The valuation was updated during the bidding process. The increase on the updated valuation was **4%**.

Zoom Out Zoom In +

Sale methods and valuation



Sale:

- Three properties were sold by negotiation with interested parties because there was limited interest in the site on the open market.
- One property was disposed of via private treaty.
- The Homes and Communities Agency had no direct involvement in one sale which was of a shared-ownership property sold by the majority owner.
- Two properties were offered to the local council first.

Valuation:

- Four properties had formal Red Book valuations.
- One property did not require the Homes and Communities Agency to obtain a valuation as it was part of a contractual shared ownership agreement.
- Three had additional valuations. In two cases, this was to reflect changes once the property was put on the market.

Case studies

The following case studies illustrate our findings and include the sales where the sale price differed from the valuation by more than 10%.

Case study 1

Headlines:

- The property is a former health centre.
- Two valuations were produced for the property. The property attracted good interest and it sold above the valuations.
- Overage was included in the sale to take into account long-term development potential.

Valuation:

- Two formal RICS Red Book independent valuations were carried out on a market value basis.
- The second valuation was performed after offers had been received.

Date	Valuation
October 2015	£70,000
December 2015	£81,000

Sale:

- The property was sold via informal tender.
- There were nine offers received, ranging from £35,000 to £81,000.
- The highest offer, £81,000 was accepted.

Valuation attributed:	£70,000
Final sales price:	£81,000
Variance (£):	**£11,000**
Variance (%):	**16% above valuation**
Valuation methodology:	Market value
Sales method:	Informal tender

Future use of the asset:

- The surveyors suggested that overage be included due to long-term potential for development of the community centre next door.
- 50% overage was agreed over a 9-year period.
- No planning permission applications have been identified for this property since the sale.
- Land registry data suggests that the property has not been sold on.

Other observations:

- The property has a restriction for use only for health or residential.
- It requires planning permission to convert to residential use.

Case study 2

Headlines:

- The property is a detached house which was in poor condition when it was sold.
- No formal valuations were produced for this property.
- The house sold below the market valuation. This is likely to be due to the poor condition of the property.

Valuation:

- There were no Red Book valuations. Valuations were based on market appraisals provided by an agent.
- The valuation for the second attempt at sale was £75,000. The report noted that the house was in poor condition and was subject to flood risk and there were water and sewerage issues.

Sale:

- There were two attempts at sale.
- All offers were withdrawn on the first attempt which was by private treaty.
- It was eventually sold at auction for £67,000.
- The process took over two years due to the failed sale and the time taken to investigate issues with the property.

Year	Agent's estimate	Sale method	Result
2012-13	£120,000 (subject to issues being resolved)	Private treaty	7 offers (£51,000 – £100,000) All withdrawn
2015	£75,000 (guide) £65,000 (reserve)	Auction	Sold for £67,000

Valuation attributed:	£75,000
Final sales price:	£67,000
Variance (£):	**-£8,000**
Variance (%):	**11% below valuation**
Valuation methodology:	Estate agent market appraisal
Sales method:	Auction

Future use of the asset:

- Water and sewerage issues were investigated but this indicated that the cost of resolving the issues would not be reflected in the sale price.
- No planning applications have been identified since the sale.
- Land registry data suggests that the property has not been sold on.

Case study 3

Headlines:

- The property is a former naval base which provided offices to several government bodies.
- It sold below the valuation.
- The sale was conditional on planning permission being granted. Meeting this condition removed a proportion of the risk for the buyer.
- The site is now being redeveloped into 98 flats. No overage was included in sales contract because the buyer refused complete the deal if it included any such clause.

Valuation:

Date	Valued by	Valuation basis / assumptions	Valuation
Aug 2010	Internal surveyor (Red Book)	Reuse existing accommodation	£950,000*
Aug 2010	Internal surveyor (Red Book)	Demolition and residential new build	£870,000*
Aug 2010	Internal surveyor (Red Book)	Conversion to residential and refurbishment	£230,000*
Mar 2011	Estate agent (not Red Book)	Residential or care home development	£1.4 million – less abnormal costs (eg demolition, ground conditions, service upgrade)
May 2011	Surveyor (unclear if Red Book)	Redevelopment for low density housing	£400,000 (with no planning permission) £1 million (with planning permission)

* The present value at one and two years was also given for these valuations. These are lower, reflecting the time needed to vacate the building.

Valuation attributed:	£400,000
Final sales price:	£312,000
Variance (£):	**-£88,000**
Variance (%):	**22% below valuation**
Valuation methodology:	Market value (assuming development use)
Sales method:	Informal tender

Sale:

- The property was marketed for nine months and sold by informal tender.
- There were only two bids. The top bidder was negotiated with. The bid was reduced from £1.2 million to £165,000 after site investigations identified that abnormal costs would be higher than originally anticipated.
- It was eventually sold to the other bidder for £312,000.
- Considerable costs were being incurred in maintaining the empty site.

Future use of the asset:

- The future use of the asset was discussed in the valuation reports. It was assumed that the land could be developed for residential use.
- The sale was contingent on planning permission being granted. This reduced the risk for the buyer.
- The developer obtained planning permission before the sale. The earliest planning application relating to this development dates back to August 2014. Further planning permission was granted in 2015 to amend one of the blocks.
- The development is intended to produce five blocks of flats, with 98 flats in total. 40 flats have been marketed so far. Over half have been sold.
- There was no overage in the sale. The buyer refused to accept this as part of the deal.

Case study 4

Headlines:

- The property is two small strips of land which had no access to the road other than via neighbouring properties.
- The property sold above the valuation.
- Negotiation with owners of land adjacent to the property resulted in a higher market value.

Valuation:

- Three valuations were obtained.
- Valuations were dependent on interest by adjoining landowners due to the site being small and landlocked.

Date	Valued by	Assumptions	Valuation
Mar 2015	Surveyor (unclear if Red Book)	Of interest only to adjoining landowners (no interest at time of valuation)	£ nil
Oct 2015	Surveyor (Red Book)	Market value	£850
Oct 2015	Surveyor (Red Book)	Market value to special purchaser (adjoining landowners)	£3,000

Sale:

- The initial plan was to take the site to auction, but there was a lack of interest.
- Instead, adjacent land owners were approached directly and negotiated with.
- Two bids were received: one for £400 and one for £3,100.

Valuation attributed:	£850
Final sales price:	£3,100
Variance (£):	**£2,250**
Variance (%):	**265% above valuation**
Valuation methodology:	Market value
Sales method:	Direct approach to adjoining landowners

Future use of the asset:

- The property was landlocked and only of use to owners of neighbouring properties.
- It was not capable of being developed independently so overage would not have been appropriate.

Other observations:

- Access is via third-party land.
- Disposal costs were estimated at £2,850.

Case study 5

Headlines:

- The property is a house in London.
- The property sold at auction for £50,000 above valuation and £75,000 above the auction guide price, suggesting that there was substantial competition.
- The difference between sales proceeds and valuation may be attributable to high demand in the London market.

Valuation:

- A formal RICS Red Book valuation was carried out by an independent valuer.
- The valuation was carried out on the basis of market value with vacant possession.
- The report observed that the property was in fair condition, although it required some upgrading.

Sale:

- The property was sold at auction due to its condition and the fact that it was vacant.
- The auction guide price was £375,000.
- It was sold to the highest bidder for £450,000.

Valuation attributed:	£400,000
Final sales price:	£450,000
Variance (£):	**£50,000**
Variance (%):	**13% above valuation**
Valuation methodology:	Market value
Sales method:	Auction

Future use of the asset:

- The property was sold as a residential property. It was considered that this would be the continued use.
- No planning permission on the property has been granted since the sale.
- Land registry data indicates that this property has not been sold since.

Other observations:

- The higher value obtained is likely to be indicative of optimism in the London market.

Case study 6

Headlines:

- This is a depot that sold above the formal valuation, but slightly under the guide price set during the tender process.
- The property may be subject to alternative use, although there is no indication that permission has been sought to convert the use to date.

Valuation:

- There was a formal valuation performed in accordance with RICS Red Book by a chartered surveyor.
- The valuer noted that the property is adjacent to a sewage works, which may have adversely affected the value of the property.
- Four valuations were obtained.

Valuation basis	Value
Market value (as existing and subject to vacant possession)	£35,000
Existing use value	£35,000
Market value (subject to alternative use as two bedroom bungalow)	£85,000
Market value (subject to alternative use and to water supply pipe passing through the property)	£80,000

Sale:

- The property was initially placed in an auction with a £35,000 reserve. Bidding reached £30,000 and the depot did not sell.
- The property was eventually sold via private treaty with a guide price of £50,000. Seven offers were received and highest offer, at £49,000, was accepted.
- The property took nearly two years to sell. The initial valuation was performed in March 2013 and the property sold in May 2015.

Valuation attributed:	£35,000
Final sales price:	£49,000
Variance (£):	**£14,000**
Variance (%):	**40% above valuation**
Valuation methodology:	Market value (as existing and subject to vacant possession)
Sales method:	Private treaty

Future use of the asset:

- No additional action was taken to make the property more marketable given that it was a low-value site and an assessment of alternative options concluded that there was nothing that could be done to make it more marketable.
- The valuation report suggests that there was a possible alternative use as a residential unit subject to planning permission. We did not identify any planning applications relating to this property after the sale.
- No overage was included in the sale.

Case study 7

Headlines:

- The property is a car park on the site of a demolished building.
- A formal valuation was produced, but this underestimated the market interest and the property sold well above valuation.
- Overage was included to take into account development potential.

Valuation:

- Two Red Book valuations were obtained.
- There was an increase seen in the second valuation due to more data on car park utilization and an improved property investment market.

Date	Valued by	Assumptions	Valuation
Mar 2015	Surveyor (Red Book)	Will continue to be used as a car park	£350,000 (with overage) £370,000 (without overage)
Oct 2015	Surveyor (Red Book)	Done after bids received – still assumes continued use as car park	£575,000 (with overage)

Sale:

- It was initially offered to the local council but the offer was rejected.
- It was then offered on the open market via informal tender.
- There were ten offers ranging from £425,000 to £600,000.
- A bid of £700,000 received late was rejected.

Valuation attributed:	£350,000
Final sales price:	£600,000
Variance (£):	**£250,000**
Variance (%):	**71% above valuation**
Valuation methodology:	Market value
Sales method:	Informal tender

Future use of the asset:

- The sale included a ten-year 50% overage clause.

Other observations:

- Income from the car park of £41,000 per annum will be forgone.

Case study 8

Headlines:

- The property, a lock-up garage, sold well above valuation.
- The valuation report did not consider that an alternative use of the asset would realise a higher value.
- Planning permission has since been obtained to convert the property to a two bedroom house.
- There was no inclusion of overage in the sales contract.

Valuation:

- The property was valued based on its existing use as a lock-up garage.
- The valuation was carried out by the same agents that sold the property.
- The property was valued at £21,000 (£7,000 land; £14,000 buildings).
- An alternative valuation based on a market rent of £2,100 per year was also produced.
- The surveyor thought there would be limited interest in the property.

Sale:

- The property was sold at auction for £89,000.
- The auction guide price was £18,000 to £20,000.
- The eventual sale price was substantially above the valuation suggesting that there was strong competition.

Valuation attributed:	£21,000
Final sales price:	£89,000
Variance (£):	**£69,000**
Variance (%):	**345% above valuation**
Valuation methodology:	Market value (as existing and subject to vacant possession)
Sales method:	Auction

Future use of the asset:

- The site had sufficient land to build on but the valuer did not consider any practical alternative uses for the property. The current use as a lock-up garage was considered the best use.
- Planning permission for this property has since been obtained.
- The application suggests a change of use to a two bedroom house. There is no further information on the value of the new property.
- There was no overage included in the sale.

Case study 9

Headlines:

- This former hostel sold at below the valuation.
- There were difficulties in valuing this property due to a lack of similar properties on the market.
- There was limited interest in the property. Only one offer was received after the marketing period.

Valuation:

- There was no formal valuation, as it was considered that this would be inappropriate for the type of property.
- A marketing report produced by an agent suggested a guide price of £130,000 and to consider offers in excess of £100,000.

Sale:

- It was marketed on the local market and sold via private treaty.
- One offer of £95,500 was received which was accepted.

Valuation attributed:	£100,000 – £130,000
Final sales price:	£95,500
Variance (£):	**-£4,500**
Variance (%):	**5% below valuation**
Valuation methodology:	Marketing report
Sales method:	Private treaty

Future use of the asset:

- The report considers residential use but says that this would not necessarily realise a higher price.
- Land registry data indicates that this property has not been sold since this sale.
- There has been no planning permission granted on the property since the sale.
- There was no overage in the sale.

Other observations:

- An internet search indicates that property in this area does not attract high values.
- The house operated as a hostel with an office, kitchen, canteen and six bedrooms.
- This sale highlights the difficulty in valuing properties where there is little interest from the market.

Case study 10

Headlines:

- This property, a piece of land, sold at well above the valuation.
- The valuation was produced internally.
- The land was sold to an adjacent property owner.

Valuation:

- An internal valuation was carried out by an internal RICS registered surveyor on the basis of comparable sales evidence.
- The valuation was £15,963.

Sale:

- It was sold by formal tender for £41,500, which represented a 157% increase on the initial valuation.
- Only one offer was received, although the agent noted that there were a number of interested parties.
- The buyer was considered a ‘special purchaser’ on the basis that he owned adjacent land.

Valuation attributed:	£15,693
Final sales price:	£41,500
Variance (£):	**£25,807**
Variance (%):	**164% above valuation**
Valuation methodology:	Internal valuation based on comparable sales evidence
Sales method:	Auction

Future use of the asset:

- We were told that “The property is outside of the settlement boundary … so development potential is very low – this is exacerbated as the estate road near to the property is not adopted; the property can only therefore be accessed via a single track road utilised by the farmers.”
- There was no overage in the sale although there was the option for buyers to offer this as part of the tender process.
- A land registry search indicates that the land has not been sold since this sale.
- No planning permission has been granted for the site since the sale.

Case study 11

Headlines:

- The property, a waterfront bungalow in poor condition, sold at auction above the upper end of the valuations obtained.
- The existing house on the property was demolished after the sale and the property was resold five months after the original sale at a 27% increase.
- Planning permission has since been obtained to construct a new residential property.
- There was no inclusion of overage in the sales contract.

Valuation:

- There was no formal valuation.
- Market appraisals were obtained from three different auction companies.
- Values ranged from £140,000 to £250,000.
- The variance in appraisals highlights the difficulty in valuing this property.

Sale:

- The property was sold at auction with a guide price of £200,000.
- The property sold for £260,000.

Valuation attributed:	£140,000 – £250,000
Final sales price:	£260,000
Variance (£):	**£10,000**
Variance (%):	**4% above highest valuation**
Valuation methodology:	Market value
Sales method:	Auction

Future use of the asset:

- The market appraisals were based on equivalent house prices and estimated costs of demolition and rebuild.
- There was no overage included in the sale.
- Land Registry data indicates that the property was resold five months later at £330,000, a 27% increase.
- Planning permission was obtained in September 2016 to construct a new two-storey house on the site.
- This indicates that the site was cleared and consequently resold, and the new buyer is constructing a house.

Other observations:

- The property was vacant for six years while it was declared potentially surplus to requirements. It had deteriorated significantly when finally sold.
- The postcode in the Cabinet Office data differs to that in the Land Registry database. This highlights some minor data quality issues with the data set.

Case study 12

Headlines:

- The property is a piece of land in London surrounded by residential property and a car park.
- The property attracted high interest at auction and sold at substantially above the two valuations produced for it.
- Overage was included in the sale to take into account development potential.

Valuation:

- Two market value valuations were carried out: a formal RICS Red Book valuation and another by the auctioneer.

Valued by	Assumptions made	Valuation
Surveyor (Red Book)	Development unlikely Planning permission unlikely for residential – valued as garden/ amenity land Limited vehicle access	£120,000 – £150,000
Auctioneer (not Red Book)	Limited development potential (but in same document says potential for redevelopment) No vehicle access	£150,000 – £200,000

Sale:

- There was high interest before auction.
- A sale at significantly above the valuation indicates strong competition at auction.

Valuation attributed:	£150,000 (maximum of range given in Red book valuation)
Final sales price:	£665,000
Variance (£):	**£515,000**
Variance (%):	**343% above valuation**
Valuation methodology:	Market value
Sales method:	Auction

Future use of the asset:

- Both surveyors considered development of the land unlikely.
- There had been various successful planning applications in the past but these had all lapsed. No further planning applications have been identified relating to the land since the sale.
- Overage was included in the sale.
- A post-sale best value report concluded that it was unlikely any higher proceeds could have been obtained.

Other observations:

- Surveyors noted that there were access issues, including limited or no access and neighbours having erected a fence preventing access.
- In 2012, neighbours claimed adverse possession rights.
- The property was withdrawn from auction in 2014 due to 'title issues'.
- In the past, a neighbour made an offer of £125,000.

Appendix – Methodology

Government bodies

We selected four government bodies based on the number of disposals they made in 2014-15 and 2015-16, Spending Review targets, and the sizes of their asset bases:

- The Defence Infrastructure Organisation within the Ministry of Defence.
- The Environment Agency.
- The Ministry of Justice Estates Directorate.
- NHS Property Services.

We also collected data from the Homes and Communities Agency given its role in the land disposals programme and its expertise in the area to use as examples of best practice.

Sample selection:

- Our population was disposals of £1 million or less taken from the Cabinet Office disposals data for 2014-15 and 2015-16. We excluded sales by one public sector body to another public sector body.
- We selected a judgmental sample of six items per government body and five for the Homes and Communities Agency.

Testing:

- We obtained documentation in support of the following:
- The valuation – including who performed it, on what basis and whether it was in accordance with the RICS Red Book.
- The sale – including the method of disposal and whether any contractual terms were included in the sale.
- The approval and any further considerations for the sale.