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# 'Our flat is worth nothing' - Potentially hundreds of Scottish properties 'unsellable' due to lack of cladding certification post Grenfell

Many Scots who own flats in high rise blocks may be unaware their homes are effectively unsellable due to a lack of certification over cladding.



The screenshot shows the top of a Guardian article. The Guardian logo is in the top left, with 'UK edition' in the top right. Navigation links for 'Sport', 'Culture', and 'Lifestyle' are visible. A yellow banner states 'This article is more than 1 year old'. The main headline reads: **'Grenfell' cladding: couple could sue after £600,000 flat now worth £90,000**. Below the headline is a sub-headline: **Nerisa Ahmed and husband threaten to sue government agency that helped them buy home**. The article features a photograph of a man, a woman, and a child standing on a balcony in front of a modern apartment building.

## Cladding puts flat owners' lives on hold

By Neil Mackenzie  
Business reporter

🕒 15 November 2019

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Grenfell Tower fire



Residents of Prospect East caught in the confusion over cladding



## 'Our flat is worth nothing' - Potentially hundreds of Scottish properties 'unsellable' due to lack of cladding certification post Grenfell

# Zero Valuation, the Narrative and History

- Flats are worthless – a common narrative since Grenfell
- Can a flat really be worthless?
  - Everything has a value, right?
- Why would a valuation be returned to a lender as £0?
  - Everything has a value, right?
- The flat and development has BR's approval, why a problem now?
- Lenders lent previously, why the problem now?
- Surveyors are being too risk averse?
- The flat and development has NHBC, why a problem now?

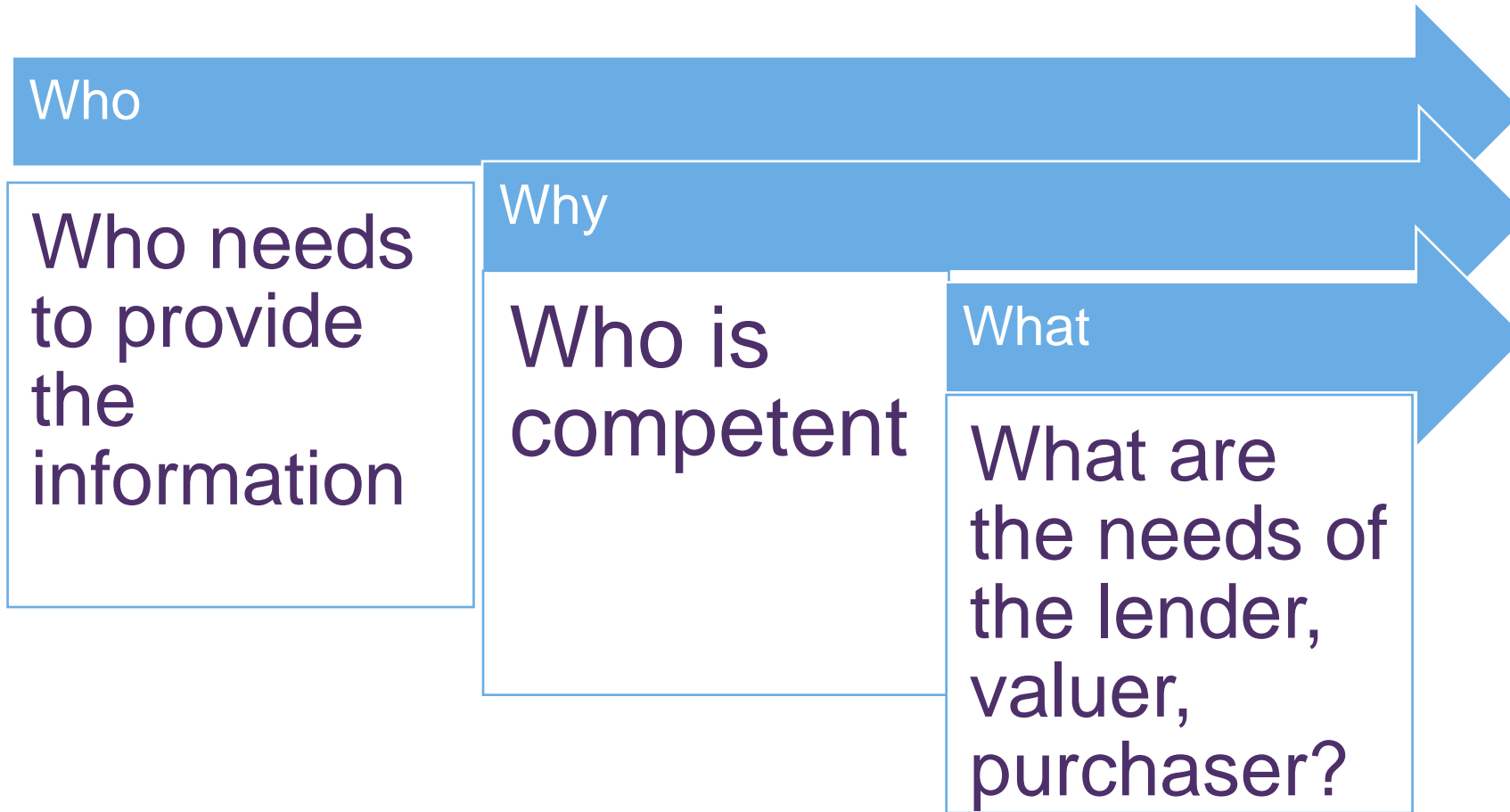
# Background

- Industry wide problem requiring an industry wide solution
- MHCLG remediation fund welcomed
- Joint position agreed between RICS, UK Finance, BSA, lenders and valuers
- Public interest, ensuring best advice
  - accurate condition and valuation advice
- Valuers reflect the market, do not make it

# Challenges

- Basis of mortgage valuation
  - Still relevant?
- Financial responsibility still falling on individual leaseholders/flat owners
  - Value affecting?
- Public interest mandate
- Established guidance for homeowners, ACM, non ACM and Balconies
- Credibility of statutory approvals
- Non ACM and retrospectively confirming compliance

# The Journey



# EWS

- Completed by competent person
- One per block
- Completed for Responsible Person
- Simple to understand
- Used by valuer
- Used by lender
- Live from December 16<sup>th</sup>
- Scotland?



# Hackitt Review



As the leading professional body for qualifications and standards in land, property, infrastructure and construction, the Royal Institution of Chartered Surveyors (RICS) has an important leadership role to play with regard to culture change. The ISSG was impressed with your proactive approach and found RICS to be a competent, forward-thinking, organisation.

**Dame Judith Hackitt**  
Chair, Industry Safety Steering Group

Ministry of Housing Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1 4DF

The ISSG and I have been firm in our challenge to the construction industry. Our view is that it needs to recognise, and accept, that the response from mortgage lenders is to be expected and is, by and large, an appropriate market response to industry behaviour. It needs to step up and find a solution that rebuilds confidence

We agree with your assessment that this is an industry wide problem that requires an industry wide solution. We are encouraged by the work you have been leading alongside UK Finance, the Building Society Association (BSA), lenders, valuers, and other industry representatives to establish a jointly agreed industry position and solution to overcome the challenges. We welcome the simple, but effective, “EWS1:

# Scope

## Intention

- Designed to deal with 18m+
- Non sign-off to 2018 Building Regulations
- Balconies any height

## MHCLG Consolidation Advice Notes, Jan 2018

- Altered the scope
- *Following recent events, the Expert Panel has significant concerns that consideration is not routinely given to Requirement B4 of Schedule 1 to the Building Regulations (on external walls resisting the spread of fire), particularly in circumstances where the guidance in Approved Document B is less specific. Requirement B4 is clear and requires that “the external walls of the building shall adequately resist the spread of fire over the walls and from one building to another, having regard to the height, use and location of the building.” **The need to assess and manage the risk of external fire spread applies to buildings of any height.** [MHCLG emphasis].*

# Scope (Cont.)

## RICS Advice

Changes in Government advice in January 2020, bringing all buildings into scope, mean some residential buildings below 18m which have 'specific concerns', may now require an EWS1. Examples include 4-6 storey buildings which may have combustible cladding or balconies with combustible materials and therefore are a clear and obvious risk to life safety and may require remediation in accordance with the latest Government advice.

We do not envisage most residential in scope buildings 1-3 storeys in height requiring an EWS form, unless the type of occupation of the building significantly increases risk to life in the event of a fire eg a care home with elderly people which could not be evacuated quickly and which will necessitate remediation works that will materially affect value.

# Challenges

- Capacity
  - Few qualified fire engineers
- Competence
  - FRA not equivalent, different skill set
  - No single qualification
- Insurance
  - Lloyds review
  - Hard market across all professional services, globally
  - Insurer appetite?
- Cost of remediation
  - Falls on the leaseholder
  - Govt funding but first come first served and not relevant to sub 18m buildings
  - Valuer affecting

# Solution

- RICS is reviewing the EWS process
  - Ongoing
  - Two themes:
    - Competence
    - Consistent assessment methodology
- Centrally coordinated approach:
  - At scale, at speed, risk assessment of each building
  - Up skilling professionals with the base skill set
  - PI made available
  - Co-ordinated procurement of labour and materials to remediate buildings
  - Up front funding



Thank you for listening

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