



THE LEASEHOLDERS CHARITY

*VALUING FLATS AFTER
GRENFELL*

LKP survey of EWS- a system designed to re-enable the valuation of flats

Executive Summary

- Government estimate that 20% of over 18 metre blocks need cladding remediation.
- LKP survey shows that in total nearly 90% of those sites that have an EWS result indicate the site requires remediation with either a B2 or A3 ratings.
- 86% of sites had the worst type of result i.e. B2 with unsafe cladding.
- In the first 9 months only 860 EWS surveys have been completed.
- LKP estimates 2.8 million flats require EWS reports.
- The government confirm there are only “around 291” fire engineers qualified to carry our EWS surveys.

The background

Historically, after a new building had been completed, and before residents could move in, it needed to be signed off as compliant with government building regulations. It could then be assumed to be safe. Since Grenfell that position has changed.

The government now “advises” that “building owners” of existing blocks of flats should retrospectively check that their buildings are safe. The problem is that government has not specified a test to retrospectively prove building safety.

During 2019 it became more and more difficult to value flats, and many were being assigned a “zero value”. Surveyors, who were producing valuations for mortgage companies, felt they had no means to know whether the flat they were valuing in any block of flats was or was not safe.

The valuers argue that “zero valuation” does not mean a flat has *no* value, just that it could not be valued. This argument in semantics has little relevance to the leaseholder as, in either case, it means no lender will be willing to lend.

In the absence of any government system the Royal Institute of Chartered Surveyors (RICS) headed a sector initiative with the lenders to create a system to enable valuations to take place, and thereby avoid a further collapse in the property market for flats in taller blocks.

In December 2019 RICS introduced its External Wall System survey (EWS1) for buildings of over 18 metres¹.

This system rates a building from A1, with no flammable items in the wall system, to B2, where flammable cladding has been found. These are complex, physically intrusive and expensive surveys that can only be commissioned by the landlord as they require samples to be taken from across the block.

After EWS1 was released in December 2019 the government updated its building safety advice in January 2020² with a consolidated set of advice that incorporated its previous 22 advice notes, produced since Grenfell.

The new government advice suddenly moved away from the 18-metre height. It now stated building owners should check the safety of buildings “of any height”.

This change had the effect of exponentially increasing the demand for EWS

¹ <https://www.rics.org/uk/news-insight/latest-news/fire-safety/new-industry-wide-process-agreed-for-valuation-of-high-rise-buildings/>

²

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869532/Building_safety_advice_for_building_owners_including_fire_doors_January_2020.pdf

reports, even though it had already been understood that there were insufficient experts to carry out this work.

RICS's current view is:

“The root of the current disruption in the home buying and selling market ultimately lies in a failure of statutory building regulations and their enforcement. The resultant uncertainties around the safety of wall systems and the cost of remediation, not just in 18m+ residential buildings but also sub-18m buildings is creating disruption in the market for many residential buildings across the UK.”³

The Public accounts select committees has also been critical of the government in its report published 16th September which states⁴:

“The Department accepts that the building regulation system it oversees, which should ensure that high-rise buildings are safe to live in, has been ‘not fit for purpose’ for years.”

This contrasts with the statements made by officials providing evidence to the Select Committee⁵ where they lay the blame at the door of the sector:

“Ultimately, we are dealing with a failure of industry first and foremost over many years—over many decades—to take fire safety seriously.”

The government's latest position seems to return us to the original problem. It now states⁶:

“We share homeowners’ concerns and do not support the blanket use of EWS1 forms. We encourage lenders to accept other forms of assessment in relation to external walls.”

³ Letter from the RICS Parliamentary Affairs Manager to APPG Co Chair Sir Peter Bottomley 4/9/2020

⁴ <https://committees.parliament.uk/publications/2561/documents/25986/default/>

⁵ <https://committees.parliament.uk/oralevidence/639/pdf/>

⁶ <https://petition.parliament.uk/petitions/328201>

The problem remains however that there is no formally agreed system for confirming the safety of buildings under 18 metres, other than EWS1.

How many properties are affected?

The impact assessment to the government building safety bill estimates a range of between 0.9 million to 1.0 million residents living in blocks above 18 metres⁷.

In evidence to the select committee⁸ officials stated that they believed 2,155 out of the total 11,300 blocks of flats above 18 metres in England have cladding issues.

Based on LKP's previous work on the size of the sector we know there are 5.6 million flats in England and Wales.

Now that EWS reports are needed on blocks under 18 metres, even if only half of these 5.6 million flats require an EWS1, there are 2.8 million flats that need some sort of additional evidence regarding the safety of their external wall system.

In August 2020 the Fire Protection Association reported that:

“RICS urged the government ‘to take greater ownership of the situation’, whilst also noting that ‘at least’ 860 EWS forms ‘have already been completed’, meaning homeowners in at least 800 blocks ‘have been able to buy, sell and remortgage or plan remediation works. EWS1 was created to find a solution to the problems caused in 18m+ tower blocks by MHCLG advice’.”⁹

⁷

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901877/Draft_Building_Safety_Bill_Impact_Assessment_web.pdf

⁸ See footnote 5 para 23 and 28

⁹ https://www.thefpa.co.uk/news/news/news_detail.more-residents-trapped-by-ews1-saga.html

In an answer to a written Question Minister Pincher confirmed there are only “around 291” chartered fire engineers who might be qualified to carry out EWS1 surveys¹⁰

Some lenders are now no longer offering loans on A3 rated buildings Lloyds advise:

“our current position is to decline A3 ratings until we have received confirmation either that no further work is required or that the necessary work has been completed. In such cases our priority would be to ensure that the correct guidance is provided to the customer.”

¹⁰ <https://questions-statements.parliament.uk/written-questions/detail/2020-07-16/75346>

LKP Survey Results

This survey was originally conducted between 9th June and 6th August 2020.

For those who had reported that they'd had an EWS survey but did not know the results, we sent a supplementary question in September 2020 and updated our survey with this additional information.

783 responses were provided by leaseholders from 512 different blocks of flats distributed across England.

The survey also asked leaseholders about their experiences of trying to sell or re-mortgage flats in blocks where they either have, or need to have, an EWS1.

Q1 - If you have had an EWS1 survey what result was obtained?

217 respondents answered this question.

- 57% said they had not been told the results
- 38% said they had a B2 rating
- 2.5% said they had a B1 rating
- 1.5% said they had an A3 rating
- 1.5% said they had an A1 or A2 rating

A B2 rating is the worst rating under the EWS1 system, where the surveyor confirms:

“I have concluded that an adequate standard of safety is not achieved, and I have identified to the client organisation the remedial and interim measures required.”

The fact that 57% of leaseholders said that, even when their site had had an EWS1 survey, they had not been given the results. This percentage seemed very high, so these leaseholders were questioned again in September 2020 to discover if their results had now been received.

EWS September Update

Of the 57% of respondents who answered they had not been told the results:

- 43% of the original 217 advised they still did not know the results of their EWS1
- 11% of the original 217 advised they now had an EWS result
- 3% of the original 217 advised that they had now been told that a different type of survey had been conducted on the building

Updated EWS data now including the additional September EWS results

Of the 53% of respondents who now had results of an EWS1:

- 86% (100 respondents) said their site had a B2 rating
- 8% (9 respondents) said their site had a B1 rating
- 3.5% (4 respondents) said their site had an A1 or A2 rating
- 2.5% (3 respondents) said their site had an A3 rating

Q2 - How tall is your building and does it need remediating or has it been remediating?

783 respondents answered this question.

- 35% said their building is > 18 metres with un-remediated cladding
- 23% said their building is > 18 metres but did not know if they had cladding
- 8.5% said their building is > 18 metres but thought it did not have cladding
- 2.5% said their building is > 18 metres and had been remediated
- 17% said their building is < 18 metres with un-remediated cladding
- 13% said their building is < 18 metres but they did not know if they had cladding
- 0.5% said their building is < 18 metres and had been remediated

Q3 - Have you asked your landlord for an EWS1 survey to be carried out?

783 respondents answered this question.

- 38% said they had asked for an EWS1 but it had not been carried out
- 28% said an EWS1 had been carried out
- 17% had been told that the landlord was refusing to carry out an EWS1 survey

Q4 - How long, have you been told, it will take to obtain an EWS1 survey?

299 respondents answered this question.

- 53.5% report that the landlord has not provided any dates
- 15% report that the landlord said more than 2 years
- 11% report that the landlord said 12-24 months
- 11% report that the landlord said 6-12 months
- 9.5% report that the landlord had said 3-6 months

Q5 - Who do you expect to pay to remediate your block of flats?

403 respondents answered this question.

- 29.5% believed the government would pay
- 28% believed a company linked to the developer would pay
- 18.5% believed the leaseholders would have to pay
- 4% thought the warranty provider would pay
- 2.5% thought the freeholder would pay

The remaining responses ranged from “don’t knows” through to “absolutely unclear and mentally draining trying to get a straight answer from freeholder”.

Q6 - How long have you been told that it will take to remediate your block?

389 leaseholders answered this question.

- 43% had been told it would take more than two years
- 30% that it would take more than a year

- 23% that it would take 6 months to a year

Q7 - Who paid for remediation?

22 respondents answered this question and the results are too small to be statistically significant.

- 40% of this group said the remediation was paid for by the developer
- 18% said it had been paid for by the leaseholders
- 18% said they did not know who would be paying

1 person said the work was paid for by government, 1 said a loan to the leaseholders from the developer, 1 said the warranty provider and 1 said that a third-party freeholder had paid.

Q8 - Have you considered selling or applying to re-mortgage your flat?

783 leaseholders answered this question.

- 86.5% said they had thought of changing mortgages or selling
- 13.5% said they had not thought of changing mortgages or selling

Q9 - Have you thought of selling your flat in the last 12 months?

663 leaseholders answered this question.

- 53% reported that they had not tried to sell because they had been told they could not do so without an EWS1
- 24.5% said the sale fell through due to the lack of an EWS1
- 18% said they did not try to sell because they assumed they could not do so without an EWS1
- 3.5% said the sale fell through despite there being an EWS1

Q10 - Having you had problems with loans?

537 leaseholders answered this question.

- 57% reported that a new lender had declined to lend due to the absence of an EWS1
- 13% reported that the lender said they would be moved to a standard variable rate mortgage
- 8% reported that the lender would not increase the existing mortgage to pay for cladding remediation.

An additional set of questions was asked of shared owners

Shared owners may own as little as 25% of the leasehold flat, but some have been told by housing associations that they will be paying the full 100% costs of cladding remediation if not covered by any government scheme.

For example: <https://www.leaseholdknowledge.com/a2-dominion-to-dump-100-cladding-costs-on-to-25-shared-owners-at-city-wharf-hoxton/>

Q11 - Has the landlord said they will pass on remediation costs?

265 shared ownership leaseholders answered this question.

- 74% reported that they had not been told whether the landlord intended to pass on cladding remediation costs
- 26% reported that they had been told the landlord did plan to pass on remediation costs

Q12 - If the landlord is planning to pass on costs have they offered a payment plan?

75 leaseholders answered this question.

- 97% said the landlord had not offered a payment plan
- 3% said the landlord had offered a payment plan of between 1 and 5 or more years.

Q13 - Has your landlord told you what percentage of remediation costs you will need to pay?

69 shared ownership leaseholders answered this question.

- 80% said they had been told they would pay 100% of the remediation costs
- 20% said they had been told they would pay a proportion of the remediation costs