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'Valuers are running for the hills and looking in the rear-view mirror at some of their historical work'

It has been a fast start to 2025. We exchanged contracts on more than £170m of transactions in the first nine months of our new financial year, which is great news.

We are starting to see renewed activity in the residential land and investment markets and we believe this trend is going to continue, but sellers and lenders in particular need to understand that the poor economic sentiment under the Labour government means values are going nowhere fast.

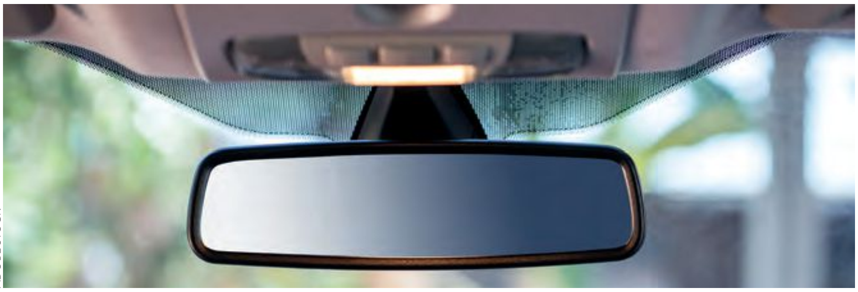
We have seen a huge increase in activity in the receivership/administration sector, which has accounted for more than 40% of our business. We reported on 28 schemes alone in the last quarter of 2024, we have three new appointments this year and await the outcome on the balance. However, we suspect most of the lenders are still coming to terms with current market values, which are almost certainly below their original and new Red Book valuations.

Wiped out

In 2008 there were a fraction of the lenders we are aware of now. As a firm, we are in regular contact with more than 200 lenders, many of which are relatively new to the market, often backed by family offices or a combination of funding lines from private equity or other larger lenders.

Lenders are finally realising that loans they thought were potentially risk-free are clearly not and, in most cases, anyone who has lent outside of the first charge has almost certainly been wiped out.

There are a number of reasons for this. The planning system is still broken and no matter what the new Labour government does, it will not save developers that have bought land hoping to add value through planning.



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Construction costs are not going down, with contractors telling us that labour is still in short supply and a number of tier-two contractors going into administration last year.

Interest rates are unlikely to continue being cut due to economic uncertainty and rising inflation. But even if rates do reduce in the coming 12 months, this will not save you if you haven't done what you are supposed to within the terms of the loan, and default interest – which can be crippling – will almost certainly finish you off.

Loan-to-values have dropped and equity is not only in short supply but is more expensive. If you have a term loan on an investment taken out more than two years ago, when the term of that loan expires with loan-to-values lower and higher rates, a refinance is almost certainly out of the question.

Valuers are running for the hills and looking in the rear-view mirror at some of their historical work and there is also not enough comparable evidence to support the figures proposed.

A reason to buy

There are also similarities in the distressed work we are seeing on completed schemes. A recurring theme is developers clinging on for pricing which will either make them the profit their original appraisal showed or return the equity to the investors who are now probably knocking on their doors.

In some 90% of the distressed work we have seen, the developer has little or none of their own equity invested in the project.

A large proportion of the insolvency work we saw 12-18 months ago was able to be refinanced. Now that is extremely difficult with the new parameters in place.

There are many similarities we see with new home sales. Flats are on the market at the original pricing used when the developer sought the development finance. The instructed agents are getting offers, just not enough to repay the debt required, so they are being refused and the agent basically loses interest.

The developer then goes to the lenders, telling them agents are useless and the lender happily agrees. The developer then dis-instructs the first agent, appoints new ones at the same prices and the whole charade starts again until the penny finally drops.

I don't want to paint a completely negative picture as there is more traction, and the good news is there is still plenty of appetite, but you have to give people a reason to buy and that's price. The only way to really find out what property is worth is to go to market, and that is the only true test of value.