

Property Journal

Editor's choice

DECEMBER 2021 –
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RICS JOURNALS

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Why e-conveyancing is less risky than you think

PROPERTY JOURNAL

First published 7 February 2022



E-conveyancing is becoming more widely used and is just as safe as traditional methods – provided appropriate security is in place

By Andrew Knight

Buying and selling a home can be stressful at the best of times, without the additional worry of disruption to any digital processes. There was understandable concern, then, when headlines in November referred to a major security breach affecting buyers and sellers using online estate agency Purplebricks.

The agency had advised its customers to use a firm of conveyancers, Premier Property Lawyers, and Premier's parent company Simplify Group suffered the cyber attack that led to the breach. Customers were reported to be unable to complete transactions and were being left in limbo.

In the months preceding the breach, COVID-19 restrictions and the [stamp duty holiday](#) had increased demand for digital transactions, including electronic conveyancing, or e-conveyancing.

As a result of the breach, however, the process is now regarded as more vulnerable to cyber attack. But is it actually so risky?

What is e-conveyancing?

E-conveyancing is a widely used process around the world. The New South Wales Government, for instance, provides this useful definition:

‘Electronic conveyancing ... is an efficient, accurate and secure way of conducting the settlement and lodgement stages of a conveyancing transaction. It replaces many of the paper and manual processes traditionally involved in property transactions.’

E-conveyancing ‘allows lawyers, conveyancers, and financial institutions to interact and transact together online. Within the digital environment, information can automatically feed in from the original source and populate all documentation while the system cross-checks [it]. Documents are created, signed, and lodged within the online environment, and parties also complete all necessary steps to settle the transaction within that online environment.’

Both online and traditional estate agencies, along with their customers, depend on conveyancers to process transactions and liaise with various parties such as lenders, search companies and HM Land Registry. Like every other profession, conveyancing has become increasingly digitised and reliant on case management systems. It frequently uses digital tools to communicate with banks, other conveyancers and land registries, among others.

Risk of cyber attack requires vigorous security

All such systems are vulnerable to cyber attacks in various forms. For example, many attackers aim to profit from direct ransom payments, or from selling data such as bank details or credit card information on the so-called dark web. These can disrupt systems in different ways, but operations can be interrupted or stopped entirely for significant periods of time.

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By Andrew Knight



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By Duncan Moss, Dr Anthony Beck

At a major cyber security conference in 2012, the then FBI director Robert Mueller said: 'I am convinced that there are only two types of company: those that have been hacked and those that will be. And even they are converging into one category: companies that have been hacked and will be hacked again.'

Although his remarks are now a decade old, they are more relevant than ever. We all need to consider and enforce digital security with the same vigour as we have always done with physical premises. All professions must protect themselves and their customers from business interruption, financial loss and reputational damage.

The attack that affected Purplebricks' customers targeted part of the system that supports the overall homebuying and selling process, and was not specific to conveyancing. Such attacks are as likely to affect any other kind of firm or organisation providing services to consumers, businesses or government bodies.

For the broader built environment sector, the lesson from the Purplebricks incident is not to challenge the concept of e-conveyancing, or the models of digital estate agencies for that matter. Instead, we need to recognise the critical importance of securing and protecting our own IT systems and ensuring that other organisations on which we rely are taking similar measures.

Protecting businesses in the built environment

In many respects, the built environment is not as digitally mature as other sectors. Consequently, the Purplebricks incident represents an early warning – if one were needed – that the sector must make data and system security integral to its everyday business.

Firms must have infrastructure and procedures in place to ensure that their own systems – and others they depend on – are protected. They also need to develop and test plans to minimise the disruption caused by any cyber attack, and manage communications with all affected parties and other stakeholders, including regulatory bodies where relevant.

Digital IDs to identify homebuyers and sellers, property packs to provide trusted information and other tools are already available to ensure that digitisation is less rather than more risky. Well-developed, and well-governed IT systems, supported by well-trained staff, can and should make e-conveyancing as safe as conventional practice.

“

I am convinced that there are only two types of company: those that have been hacked and those that will be.”

Robert Mueller

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Related competencies include:
Data management
Legal/regulatory compliance

How repurposing assets can reduce vacancy rates

PROPERTY JOURNAL

First published 10 December 2021



Australian researchers are exploring the potential for temporary adaptive reuse of commercial buildings that may otherwise lie vacant beyond the pandemic

By Prof. Sara Wilkinson,
Dr Gillian Armstrong
Prof. Jua Cilliers

Since the pandemic began, commercial and retail property vacancy rates in central business districts (CBDs) around the world have grown. Is this a temporary situation? If so, how long will it last? And what, if anything, can we do in the interim?

The COVID-19 pandemic has certainly highlighted the fragility of city centres, as changing societal needs and associated work-life patterns have emerged globally. The [PwC Australia Future of Work report](#) shows that more than 39% of staff in the country's CBDs are highly or very highly capable of working remotely.

During first quarter of 2021, estimated occupancy in the Sydney CBD was between 25% and 40%. After the June lockdown, however, this figure fell drastically. Some are wondering whether this new situation will become permanent.

Addressing vacancy by repurposing assets

The evidence that urban space is changing calls for a renewed understanding of occupancy, use of space and buildings, and multifunctionality. [Knight Frank's overview of the Asia-Pacific market](#) concludes that, because 'lockdowns expose the weaknesses of income-producing properties [...] a two-tiered market forms as the more resilient prime assets continue to hold their values, while the non-prime assets start to see their values deteriorate.'

In response, Knight Frank sees significant potential in asset repurposing. Asset repurposing is defined as change of use or adaptive reuse, where the original use, e.g. office, changes to another such as healthcare. The report notes that 'location, demand and local infrastructure will inform what is viable. Repurposed uses are likely to range from healthcare, co-working [or] flex space to residential (including build-to-rent) and logistics'. Although the viability of repurposing buildings varies, this is an opportunity for owners, investors and developers to meet evolving market demands.

Coupling vacant space with high-demand uses on a temporary basis can support urban centres until markets change, without permanently disrupting supply. In addition, not all tenants seek long-term tenancies.

In [Making Space for Culture in Sydney: Cultural Infrastructure Study 2020](#), the City of Sydney identifies uses of space that are not currently catered for by urban centres, where retail and commercial office space dominate. The research highlights the need for cultural infrastructure, defined as spaces for arts, such as galleries and museums, and for the social impact of cultural space, where people can experience arts and culture, to be valued.

Researching the scope for adaptive reuse

Researchers at the University of Technology Sydney (UTS) have proposed a strategy called Sustainable Temporary Adaptive Reuse (STAR) for underused, or vacant, buildings. The STAR research is funded for three years by the City of Sydney and explores low-cost interventions to address economic, social and environmental stress.

The evidence that urban space is changing calls for a renewed understanding of occupancy, use of space and buildings, and multifunctionality

Alongside brand repositioning and mothballing, whereby owners temporarily vacate all occupants and leave the building vacant until market conditions become more favourable for reuse or another use, STAR can offer a way to deal with underoccupancy through low-level intervention, compared with more demanding options such as demolition and comprehensive retrofitting.

Adaptive reuse projects tend to reuse obsolete buildings that have been vacant for long periods. Although permanent change of use is the most common approach, there are examples of short-term adaptation which include temporary use for buildings scheduled for demolition.

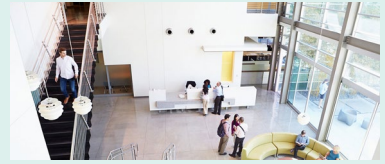
In each case, the building is assumed to be, or is at risk of becoming, wholly vacant. However, this assumption is unrealistic, and a more nuanced understanding of vacancy and adaptive reuse is needed. Even when vacancy rates are considered high overall, wholly vacant buildings awaiting a permanent use change can be in short supply, as the vacancy is spread across a lot of the stock. Partial or temporary adaptive reuse is likely to be more practical.

Although adaptive reuse retains embodied energy in existing structures, being temporary it may increase construction waste with materials from former fit-outs being sent to landfill to accommodate a new occupant rather than being reused. Writing design briefs and specifications for more typical uses and unfamiliar new ones is a further challenge that requires the quantity surveyors who manage STAR projects to have advanced skill sets. These advanced skill sets include a greater awareness and understanding of what is possible in respect of temporary adaptive reuse, and retention and/or reuse of existing fit-out materials and components of the building fabric.

Compatible use, universal design and reusable fixtures and fittings are important principles for STAR. Compatible use is defined as uses that complement existing uses in a temporary timeframe, for example, converting offices to residential uses involved completely different requirements for services layouts and are expensive to undertake. As such, this option is not suited to temporary reuse. On the other hand, converting office spaces to healthcare services; for example dental, skincare or doctor surgeries may be compatible.

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By Paul Bagust



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By Ruby Smith



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By Jen Lemen

The unintended environmental consequences of temporary reuse need to be considered from the outset. Sustainability must therefore be integral to a STAR project's design, construction and making good stages. STAR's aim to keep costs low also helps minimise use of materials, fixtures and fittings. Sustainability can be enhanced by developing infrastructure that encourages reuse or recycling waste generated by project's temporary nature.

This can take the form of physical centres that collect materials, fixtures, fittings and furniture stripped out of buildings for new users, as well as integrating reuse and recycling facilities in temporary fit-outs for new occupants.

Making adaptive reuse attractive

The STAR reactivation strategy manages vacancy by seeking a diversity of new uses on a temporary basis, without permanently transitioning to new ones.

It contrasts with a holding position that reduces economic and social activity. Excess vacancy adversely affects nearby businesses, transport services and cultural events. Ultimately, it also has an impact on a building's value and increases the risk of decay and defects.

The options and opportunities for temporary adaptive reuse can be realised by providing a robust set of resources for stakeholders to assess potential sites. Adaptive reuse is not new – but looking at viable short-term options beyond COVID-19 is.

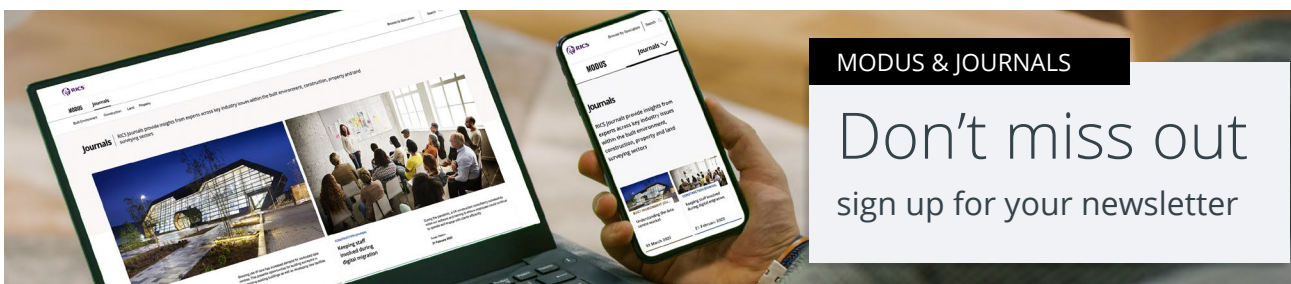
Advising clients of the potential to turn an underused or vacant asset into a STAR project is a worthwhile strategy. STAR will be publishing resources in 2022 for this purpose.

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Related competencies include:
Sustainability



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How Scotland's social housing sector can achieve net zero

PROPERTY JOURNAL
First published 31 January 2022



The Zero Emissions Social Housing Taskforce has provided key recommendations on how social landlords across Scotland can work together with the Scottish government to achieve its ambitious climate change targets

By Cassandra Dove

For Scotland to meet its ambitions of becoming net zero by 2045, over 2m homes will need to transition from fossil fuel-based systems to low and zero-emissions systems such as heat pumps, heat networks and other technologies.

However, with over one-third of social housing tenants living in fuel poverty, it is critical that this situation is not made worse by the transition to decarbonised forms of heat; no tenant should be left with unaffordable costs or failing heating systems.

ZEST

The Zero Emissions Social Housing Taskforce (ZEST) was established to examine, and make recommendations on, what is required of the social housing sector to maximise its contribution to the Scottish government's climate change targets.

Co-chaired by the Scottish Federation of Housing Association (SFHA), the taskforce was convened in March 2021 by then Minister for Local Government, Housing and Planning Kevin Stewart MSP. Stewart invited SFHA Chief Executive Sally Thomas to co-chair ZEST alongside former Chief Executive of Inverclyde Council and the Society of Local Authority Chief Executives Aubrey Fawcett.

ZEST had a wide-ranging membership, including the Glasgow and West of Scotland Forum of Housing Associations, the Association of Local Authority Chief Housing officers, the Scottish Housing Regulator and the Convention of Scottish Local Authorities. Housing practitioners, architects and academics were also invited to participate alongside representatives from tenant groups, industry and other stakeholders.

Given that changes in new housing developments will be driven by the forthcoming Zero Emissions Heat Standard, existing homes present a significant challenge in the transition to net zero.

Therefore, ZEST focused on the existing social housing sector stock, with early discussions on the need for a 'fabric first' approach (ensuring new or existing homes are as well insulated as possible before considering heating systems) and a clear commitment to a just transition for all tenants.

Other key principles included the need for national leadership in tandem with locally empowered delivery, collaboration, ensuring a focus on outcomes and embedding a regionally sensitive approach.

In developing more detailed recommendations, the taskforce subsequently formed two subgroups: one focusing on cost and affordability and the other on more technical aspects of retrofitting existing stock.

In August 2021, the taskforce outlined its key recommendations in *Achieving Net Zero in Social Housing*.

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By Will Swan, Richard Fitton



Business park draws up net-zero roadmap

By Claudia Conway

Key recommendations

The final report makes overarching recommendations, with supporting actions, about how social landlords, local authorities and the Scottish government can work in partnership to address the dual challenge of achieving net zero emissions in social housing while keeping energy bills affordable and reducing fuel poverty.

The recommendations call for:

- social landlords and the Scottish government to agree how to deliver net-zero-emission homes in a fair and just way, including developing clear metrics to measure progress and a programme to address the four drivers of fuel poverty: incomes, energy costs, energy performance and how energy is used in the home
- social landlords and national and local government to ensure that tenants have a say and are supported in the journey to achieving net zero emissions in social housing, including in decisions, design and delivery
- the Scottish government to ensure there is adequate investment for the social housing sector to achieve net zero emissions while keeping rents affordable for tenants – this will involve developing a sector capacity assessment to determine the net cost increase of the transition above the current investment cost profile
- the Scottish government and social landlords to prioritise investment and solutions that reduce heating demand and improve the condition of Scotland's housing stock as a crucial first step in readying homes for zero-emissions heat and minimising fuel costs
- all partners involved in the transition to net zero to work collaboratively to develop technical solutions and ensure there are enough skilled workers to deliver these to a high standard. This would involve the creation of an ongoing housing net zero technical steering group to advise on emerging challenges, solutions and strategies.

Achieving net zero

In terms of what these proposals mean for the sector, ensuring the Energy Efficiency Standard for Social Housing Two (ESSH2) is aligned with both fuel poverty and net zero objectives will be critical.

At present, homes in the social housing sector are to meet EPC band B rating, or be as energy efficient as practicably possible, within the limits of cost, technology and necessary consent, by December 2032.

Concerns have been raised regarding the appropriateness of this target, and ZEST called for the planned review of ESSH2 to be brought forward to commence immediately, with a final decision on the revised approach and implementation no later than 2023. This would help give greater certainty on the long-term targets for the sector.

Further details can be found in the full report, which has now been presented to Cabinet Secretary for Net Zero, Energy and Transport Michael Matheson MSP and Cabinet Secretary for Social Justice, Housing and Local Government Shona Robison MSP.

The recently published Heat in Buildings Strategy also confirmed that the Scottish government will respond to the proposed recommendations in full in due course. However, some key developments have already taken place, including a commitment to double the Social Housing Net Zero Heat Fund, making £200m available to social landlords over this parliament.

The Scottish government has also published its response to the recommendations of the Just Transition Commission, setting out a long-term vision for a fairer, greener Scotland, in addition to the final version of the Net Zero Nation public engagement strategy.

However, there is still much to be done, and it is vital that the ZEST report is not viewed as an end point. The recommendations are intended to provide the next steps on how the social housing sector, in partnership with local and national government, the private and third sectors, wider civic society and tenants can contribute to Scotland's net zero ambitions.

No single organisation, profession or community has all the solutions; successful progress will depend on developing the required solutions together.

Ensuring the Energy Efficiency Standard for Social Housing Two (ESSH2) is aligned with both fuel poverty and net zero objectives will be critical.

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Related competencies include:
Housing strategy and provision
Sustainability

Managing auditory sensitivity in the workplace

PROPERTY JOURNAL

First published 13 December 2021



As awareness of neurodiversity in the workplace increases, one study is exploring how noise management can help all staff to be more productive

By Paige Hodsman
Adrian Burton

One in seven people in the UK are neurodiverse and more than 700,000 are on the autistic spectrum. Only 16% of adults diagnosed with autism are in full-time work, however. A further 77% are not but would like to be, according to the National Autistic Society.

Although human beings all tend to process sensory information in the same way, genetic and environmental factors can cause significant differences. For example, some people are more sensitive to sound, which affects concentration and overall performance. Light can also affect mood and healthy sleep patterns. Sensory sensitivity affects around 20% of the population regardless of gender.

In particular, there is **significant evidence** that noisy environments adversely affect the performance, health and well-being of autistic individuals. But this understanding can inform organisational culture, policies, and workplace design and inclusion strategies.

Researching workplace noise and neurodiversity

Saint-Gobain Ecophon is conducting an ongoing study involving neurodiverse workers in specialised fields to address these questions. The participants are primarily those with autistic spectrum conditions, but there are a number with sensory sensitivities.

The study aims to inform the development of new offices at the Atomic Weapons Establishment (AWE) in Aldermaston, which will accommodate 3,000 staff. Another outcome will be guidance on human-centric, inclusive design that can benefit all building users.

Three primary methodologies have been used: acoustic measurements, online questionnaires, and face-to-face feedback. The physical measurements have been taken in line with BS EN ISO 3382-3 Measurement of Room Acoustic Parameters: Open plan offices. This standard sets out specific measurement criteria for open-plan offices and looks at the spread of sound in an office space.

The spatial decay rate of speech measures how its decibel levels drop in for each doubling of distance. The standard sets no specific targets or target values for this, but there are examples.

Although the office in this study did not meet any of the example targets, these example values are rarely if ever met in UK offices. Physical measurements were instead taken to identify the relationship, if any, between quantitative and qualitative data from user survey responses and open comments.

The study devised a proprietary questionnaire combining psychological, physical and physiological factors. This asked participants to reflect on factors such as task time, control, performance and ability. The psychoacoustic questionnaire used the Berkeley Personality Lab's Big Five Personality Inventory to identify traits in the group. We also used the Sensory Matrix questionnaire to help identify specific noise sensitivities.

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By Amanda Steele



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By Guy Windsor-Lewis

Researchers compared the personality traits from the Big Five inventory to sensory profiles from the Sensory Matrix. This enabled understanding of both stimulation from sensory organs and perception. The latter combines sensory information with knowledge and memory to form conscious thought. The researchers then held face-to-face meetings with participants to discuss the results and obtain specific insights.

Findings and further work

Significant findings include from the research so far include:

- 86% of respondents have auditory sensitivities
- for 30%, only enclosed, cellular offices are acceptable for primary or focused work; others prefer a combination of private offices and a small collaboration area
- loud noise has a significant effect on self-perceived performance at -10%, compared with a benchmark of -6%, measured using the Building Use Studies methodology and benchmarked to the Saint-Gobain Ecophon psychoacoustic database
- uniform design is unlikely to improve health, well-being and productivity.

Many participants said they would favour a private, enclosed office or shared quiet rooms rather than open plan or cubicles. But they also recognised that being part of a team provides support, and most were amenable to small, shared open spaces so as not to feel isolated.

Among participants' suggestions were use of better sound absorbing materials on the cubicle walls and ceilings. They also requested better acoustic zoning, and guidance on acoustic etiquette to address louder, irrelevant speech disturbances.

The next phase of the study will look at whether choices such as cellular offices in open-plan environments can improve workplace satisfaction for most staff, as well as providing a more productive setting for neurodiverse individuals.

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Related competencies include:

Performance management
Strategic real estate consultancy
Workspace strategy

Affirming the value of solar property

PROPERTY JOURNAL

First published 14 January 2022



New research supports the investment case for residential solar power systems, and can support valuers in taking account of domestic installations

By Kevin McCann
Kirk Archibald
Franz Fuerst

Recent research has demonstrated for the first time that homes fitted with solar photovoltaic (PV) systems sell for more than equivalent homes without them. It also shows that installing PV on a typical home could reduce average annual energy bills by a third.

Trade association Solar Energy UK, sustainability consultancy Think Three, and the University of Cambridge wrote The Value of Solar Property report, looking at the financial benefits of residential solar.

Understanding this is important because the UK must decarbonise 29m homes to achieve net zero by 2050. However, one of the barriers to deploying solar is the perceived cost of improving a home's performance.

In 2021, the Department for Business, Energy and Industrial Strategy's UK Rooftop Solar Behavioural Research confirmed that 'up-front costs [are] a clear barrier to [the] installation' of residential solar.

Meanwhile, discussions with lenders carried out for The Value of Solar Property confirmed that some financiers share this viewpoint. Banks and lenders, in principle, recognise the potential of on-site power generation. However, they lack clear evidence on the value it creates, whether in terms of the asset itself or running costs. Our report aimed to fill this gap.

Models informed by sale data

Our research asked what impact, if any, PV has on house prices and energy bills. To determine the impact on asset value, we carried out a hedonic regression analysis on house price data held in the Land Registry. We cross-referenced this with the Microgeneration Certification Scheme solar installation database and energy performance certificates.

The analysis controlled for a range of variables and isolated the influence of solar on sale price. Our sample size of 5.7m sales transactions makes this the largest study of its type conducted so far.

To look at the running costs of a solar power system, we developed an adjustable financial model based on actual cost data. The model has more than 15 variables for solar and energy storage systems – including size and cost of the array, the type of house and whether cash, a loan or a mortgage is used to pay for the installation. The model uses these variables to calculate a range of outputs relating to the system, including its expected annual electricity generation and how these relate to its capital and operating costs.

In turn, the model produces a range of standard investment metrics to assess the financial performance of the system. It also provides specific information on, for example, the value of grid electricity that the system displaces.

Proving a premium, assessing attitudes

We found a statistically significant price premium of between 0.9% and 2% for homes with PV fitted. This means that, for example, installing an array on a terraced house in the East Midlands could increase its sales price by £1,800. Furthermore, as the depreciated value generated by our research reflects that several years usually pass between installation and resale, the initial uplift in value is likely to be much higher.

Our sample size
of 5.7m sales
transactions
makes this the
largest study of
its type conducted
so far

In fact, £1,800 is equivalent to around half the cost of installing the system in the first place. This is even before the significant savings it enables: for the same home, installing PV could lower bills by approximately £330 every year over the 30-year lifespan of the system.

According to our research, the combined value of these benefits means that the system could effectively pay itself back in ten years, far less than the average 17.4 years that owner-occupiers spend in their home. This is a major finding given concerns about whether homeowners investing in zero-carbon technology will break even before moving.

Our research shows that while solar already makes sense on current economics, its financial performance will only improve as the UK adopts efficient electric heating and vehicles at scale.

This is particularly important because the cost of energy is a prominent public issue, as evidenced by the recent UK energy crisis. Solar Energy UK believes the decarbonisation of domestic buildings could lose public support if it is seen to mean higher energy bills.

Our research proves the opposite: solar properties can help reduce exposure to rising energy costs. With mass-market uptake of electric vehicles and heating, it is important that consumers can mitigate the risk of cost increases resulting from likely higher household electricity demand.

Generating power on site is a crucial way to do this. Our research confirmed the popularity of doing so by polling 2,000 people. The poll focused on their understanding of and attitudes to residential solar.

We found that solar panels are the third most popular home improvement priority after a new kitchen or bathroom and new windows, with 33% of respondents favouring PV. However, this rises for young homeowners: more than half of respondents aged 18–30 said installing solar was the home improvement they were most likely to make. As a new generation of homeowners emerges – and with it more difficult for young people to get on the property ladder – this is clearly relevant for lenders.

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By David Farr



Why solar is win-win for landlords and tenants

By John Macdonald-Brown

Significantly, 46% of homeowners polled also said they would be more likely to install a solar energy system if a new consumer finance product, such as a green mortgage, meant it did not require an upfront payment. That is why we have engaged with experts at RICS and lenders involved in developing financial and valuation models about our research findings.

Pricing PV on property

Homes fitted with PV command a premium, save people money, and help reduce carbon emissions. We are thus keen to see the value of such properties formally recognised in mortgage assessments and home valuations.

We think the findings should inform the work of the valuation profession and we recommend that the *RICS Valuation – Global Standards* (Red Book Global Standards) advise surveyors to consider the presence of PV when valuing a home. This would enable more home buyers to invest in solar because lenders could reflect the increased value of the property in higher mortgage offers.

It would also enable property developers to include solar as standard on more new-build homes. Developers should be confident that they can go further than installing only enough solar to enable them to meet the energy performance requirements set by the Building Regulations, knowing that solar homes command a higher sale price. As such, PV can provide a valuable differentiator for their product.

Furthermore, it would enable more homeowners to retrofit their property with solar arrays, safe in the knowledge they will realise some of the value of their investment should they sell. In the meantime, they will reduce their electricity bills and improve their home's energy performance.

There are also benefits for landlords or investors with a property portfolio. Installing solar on homes should see returns for both occupiers and owners. Solar is a long-term investment: properly installed and maintained, a PV system should last at least 30 years.

This would significantly contribute to decarbonising the UK's residential building stock and helping the country achieve net zero. That, ultimately, is the value of solar property.

Developers should be confident that they can go further than installing only enough solar to enable them to meet the energy performance requirements

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Related competencies include:
Sustainability
Valuation

Ensuring correct cover for fire

PROPERTY JOURNAL
First published 28 January 2022



Understanding the impact of insurers' concerns about fire risk is fundamental to managing property insurance effectively for a client

By Emma Vigus

Grenfell has understandably heightened insurer anxiety alongside broader market trends including an increase in vacant properties; underinvestment in maintenance and security as economic challenges bite and the growing use of new materials to improve sustainability.

Those responsible for insuring property on a client's behalf must arrange appropriate insurance and take all reasonable steps to ensure the policy responds to a loss. This may be obvious, but remember:

- policy coverage varies
- one size does not fit all – insurance requirements are affected by asset class, funding structure and lease terms, for example
- you must comply with the policy requirements.

Poor insurance management can mean a loss for the owner is not covered. This can lead to reputational damage for the professional concerned, and a likely allegation of negligence against them.

The impact of a hard insurance market

We are currently experiencing a 'hard insurance market'. Insurers' appetite to underwrite many types of insurance has constricted which limits supply. This, in turn, increases premiums, reduces the limits of indemnity available for higher risk assets and can restrict the breadth of coverage available. A hard market also enhances the chances of a claim being repudiated as insurers increasingly strictly interpret policy wordings.

Maintaining an understanding of insurers' appetite combined with an awareness of how to mitigate emerging risks is vital to effectively managing insurance. Retaining regular contact with your insurance broker and sharing information with peers and key stakeholders will help facilitate the proactive management of both insurance spend and policy coverage.

Understand the policy

Ensure you understand the coverage available under the policy and your ongoing duties as laid out in the policy requirements.

Do not rely on the policy remaining unchanged at renewal and be aware that adding a new asset to the policy may not be straightforward, particularly if you're managing a small portfolio and the new asset is considered higher risk. If you are unsure, seek advice from your insurance broker.

Making a fair presentation

Failing to make a 'fair presentation of the risk' is one of the most common reasons for a claim being declined. The requirement applies to all forms of business insurance. It means that those seeking insurance must disclose to insurers, during the policy period and at renewal, all information that is or ought to be known that is material to the risk.

Maintaining an understanding of insurers' appetite combined with an awareness of how to mitigate emerging risks is vital to effectively managing insurance

In the context of property insurance, disclosure is required across four key areas: construction, occupation, protection and exposures.

Construction

Given the invisible nature of some factors which enhance combustibility, for example compartmentation, insurer scrutiny has increased since Grenfell. Accurately describing construction is, therefore, vital. A detailed reinstatement valuation or a pre-acquisition technical due diligence report should include all the details required.

Occupation

Accurately describing tenant activity is a key requirement across all asset classes. It is highly pertinent for industrial assets, especially on lower grade multi-unit sites where high-risk occupations often co-exist. Higher risk activities include hot works; waste handling; the storage of materials with a high combustible load and food cold storage units which may be lined with combustible panels.

Irrespective of asset class, though, don't make assumptions about tenant activity. Regular, thorough site inspections are key to understanding fully how a tenant is using a building, and to the ongoing assessment of fire risk mitigation.

The requirement to disclose material information lasts for the life of the policy, so you must notify insurers if tenant occupation changes or a property becomes vacant.

Protection

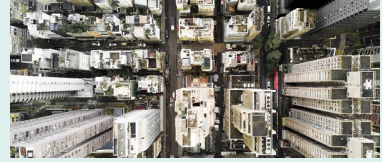
Mitigating fire risk is a moral obligation. It will also be a requirement of the insurance policy that fire safety systems and procedures are fully operational and regularly checked. In the context of fair presentation, insurers will also require, at renewal, an accurate appraisal of the protections in place.

Exposures

'Exposure' is defined by the cost reinstatement valuation. Recent increases in the costs of raw material and labour are resulting in properties being underinsured. The policy holder is obliged to declare adequate cost reinstatement sums.

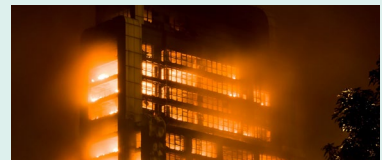
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Failing to do so can result in insurers applying the average clause, effectively reducing the limit of indemnity available by a percentage equivalent to the rate of underinsurance.

Most policies will state that, if a cost reinstatement valuation is provided by an RICS member, every three years insurers will account for inflation at each renewal and will not penalise the policy holder for underinsurance. However, the building declared value remains the maximum amount that insurers will cover (plus any policy allowances for inflation); a £5m building declared value will never result in insurers paying out more than £5m, plus any allowances for post-policy inception inflation.

Ensure compliance after renewal

In addition to making a fair presentation of the risk, you must comply with the policy's requirements. Obligations can vary from policy to policy, with specific requirements sometimes applying to individual assets. Unsurprisingly, the most common reasons for claims being voided include failure to prevent fire or mitigate its impact, so you should pay particular attention to the following areas.

Comply with health and safety and fire safety legislation, and be prepared to provide evidence of doing so. Maintaining accurate, up-to-date fire risk assessments and fire management strategies for each property is vital.

Ensure everyone involved in managing the property understands and fulfils their responsibilities. Simply providing training is unlikely to be sufficient; the team must have the skills, equipment and time to carry out their duties, and should be monitored on an ongoing basis.

Put appropriate procedures in place for managing all forms of change, including but not limited to a change in tenant and refurbishment works.

Ensure the intent of the original design features are appropriately managed and maintained throughout the building's lifespan, particularly if there's a change in use.

Develop, implement, and regularly review the standard suite of building management documents. These should incorporate insurers' requirements so risk control standards across a property portfolio are consistent.

The most common reasons for claims being voided include failure to prevent fire or mitigate its impact

Ensure there is an agreed set of procedures in place for the management of contractors attending site to undertake works, such as a rigid policy for hot works, and contractors' liability insurance.

The Legal and Regulatory landscape

Irrespective of the policy terms, everyone associated with the building, including the manager, owner and tenants must comply with the applicable legal duties. Failing to do so can result in a civil or criminal prosecution, with potentially more far-reaching consequences than an uninsured loss.

The Building Safety Bill

The Building Safety Bill (BSB) introduces new regulatory measures for residential buildings deemed higher risk with a new dutyholder regime applying during the lifecycle of in scope buildings. During occupation, the dutyholder will be the accountable person, which is a new role under the BSB. The accountable person must ensure that someone (whether a person or corporate entity) is responsible for building safety.

The bill will impose statutory duties on the accountable person. It also provides for enforcement and sanctions when accountable persons and responsible persons – the latter being those with control of a property under article 3 of the Regulatory Reform (Fire Safety) Order 2005 fail to fulfil their duties. The statutory duties for an accountable person include but are not limited to the following:

- Assessing the building safety risks, taking reasonable steps to mitigate them and limit the severity of any incidents on an ongoing basis.
- Maintaining up-to-date documentation that proves building safety risks are proactively identified, managed and mitigated, as well as safety case report summarising and justifying all safety measures in place.
- Registering in-scope buildings with the building safety regulator (BSR) before residents move in; higher risk buildings already in occupation must be registered within a set period once the new regime is in force. Once registered, apply to the BSR for a Building Assessment Certificate.
- Maintaining the 'golden thread' of safety information from all dutyholders.
- Appointing a building safety manager (BSM) with accountability for the day-to-day management of building safety
- Establishing a structured process as part of their mandatory occurrence reporting obligations and provide reports of such occurrences to the BSR.

The accountable person's obligations are anticipated to take effect later this year or early next. Although this leaves time to prepare, planning should begin now.

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The regulatory landscape is changing significantly, following Grenfell, with the implementation of the Fire Safety Act 2021 and the Building Safety Bill which is anticipated to gain Royal Assent and become law in 2022.

Summary

As with all areas of risk management, documented procedures are only effective if people comply with them. Merely assuming compliance is an approach that is highly unlikely to withstand scrutiny should a claim arise. All those responsible for mitigating risk must be trained, equipped and managed in a way that ensures compliance is an intrinsic part of their role.


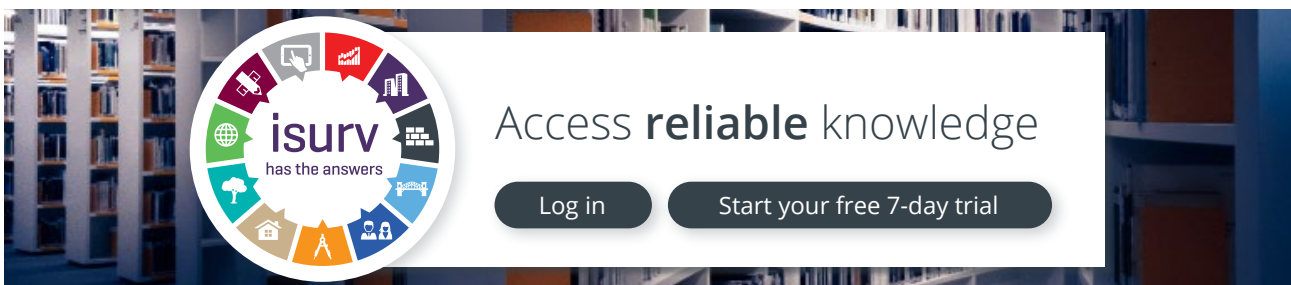
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