



LEGAL & GENERAL SURVEYING SERVICES

VALUATION AND PROPERTY RISK.

Legal & General Surveying Services is the UK's leading provider of valuation and property risk management services to UK banks and building societies. Our expertise, independence and infrastructure mean we are able to deliver a unique offer to our customers.



The current situation regarding Japanese Knotweed and property risk

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Perceptions

“Japanese knotweed invasion is halting house sales as buyers are denied mortgages on blighted properties”

Daily Mail - 19 July 2013

Japanese Knotweed does disrupt the home buying process and lenders and their valuers are frequently in the firing line.

- **Accused of making properties unsaleable**
- **Accused of “over reacting”**
- **Accused of “failing to react”**
- **Accused of inconsistent reporting and interpretation**
- **Accused of diverse risk appetites in lending policies**

Are these assertions reasonable or sustainable?

The role of the mortgage valuer is to reflect the market, not define it!

What is the Mortgage Valuers Role?

To provide the mortgage lender with a brief report on whether or not the property meets lending criteria defined by the lender and provide an assessment of Market Value

“Market value is the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction and where the parties have each acted knowledgeably, prudently and without compunction”

- **There is an expectation that Japanese Knotweed could be identified by the valuer, whether on the subject property or on adjacent land**
- **Where identified it must be reported on in accordance with the mortgage lenders requirements which are generally driven by their interpretation of the impact on future saleability and value**
- **Japanese Knotweed is only one of many factors which influence saleability and value**

RICS engagement

The Royal Institution of Chartered Surveyors (RICS) has played a significant role in developing practical advice and strategies which assist stakeholders, including mortgage lenders to develop their own policies.

With the publication of “IP27/2012 Japanese Knotweed and residential property” in March 2012 the RICS provided information to its members and the market to provide a consistent reporting framework

Most home owners and buyers become aware of the presence and potential cost of Japanese Knotweed in negotiating a sale when mortgage valuers raise the issue – that’s why we are in the firing line!

A risk and value issue?

Does the presence of Japanese Knotweed really affect value and increase lender risk?

“It doesn’t mean the property is worth less it just means something needs to be done to make sure the value is maintained.” 14/08/2013 Mortgage Solutions

But is there a perception in the buying market that “we” have generated meaning the impact on value is greater than the repair cost?

The presence of Japanese Knotweed introduces additional costs of ownership and increased uncertainty in the minds of buyers and therefore like other items of disrepair or structural damage inevitably impacts Market Value.

The reality to be addressed

A homeowner has claimed she is unable to sell her property after Japanese knotweed smothered her neighbour's garden.

Nasreen Akhtar could not understand why no-one wanted to buy their two-bedroom house despite 20 viewings with three separate agents.

Daily Telegraph 28/08/2016



Credit: Luke Johnston / SWNS.com

This story highlights the challenges we need to work together to address

The background in brief

- **The owner could not sell so tried to remortgage**
- **Mortgage Valuers reported that Japanese Knotweed had overgrown an elderly neighbour's garden**
- **Growth had extended into the garden of the subject home and potentially other adjoining properties**
- **The adjoining property was owned by a Housing Association**
- **The elderly adjoining occupier quoted as saying “.... *too much for him to deal with*”**
- **The local authority advised that it is a matter for property owners**
- **The extent and proximity of the Japanese Knotweed would be unacceptable to mainstream lenders because of the risk to value and saleability**
- **The house owner is “trapped” as her home is not mortgagable unless they and an unspecified number of neighbours commit to an acceptable remediation programme**

This situation is not unique

Some questions to consider

- **What can a homeowner do in such situations where multiple nearby property owners may be impacted**
- **Remediation requires a coordinated response involving adjoining owners**
- **How will such coordination be provided?**
- **What should be a reasonable timeframe for agreement and implementation?**
- **Who pays? Not all owners will have the required resources**
- **Who cares? – we cannot assume all owners will**
- **Does legislation provide any practical assistance - the Wildlife and Countryside Act 1981 only made it an offence to *‘plant or otherwise cause Japanese Knotweed to grow in the wild’* (Not Scotland)**
- **Agreed solutions must be acceptable to a wide range of mortgage finance providers**
- **What should be the role of the existing mortgage lender? Do they even know they have a problem with their mortgage security/asset value?**

Would you buy that house? At what price?

Moving forward

“Since the mid-1970s the problems of building movement, high alumina cement, asbestos, prefabricated concrete buildings, lead, radon, and electromagnetic fields have presented assessment difficulties that have been largely resolved and assimilated into the lending process. There is no reason why the assessment of Japanese Knotweed cannot follow a similar route.” RICS IP 27/2012

- **The assessment and reporting of Japanese Knotweed in the context of the home buying process has moved on, but there is clearly further to go**
- **The assessment of the risks attributed to Japanese Knotweed for homeowners and lenders remains fragmented and subjective**
- **Is too much of the “story” still driven by the press rather than those with the real expertise?**
- **Who should be taking the lead?**
- **Have we over reacted? The UK seems to focus on the impact on homes rather than the arguably more destructive impacts on the natural environment which seem to have a wider focus internationally**

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