

Report on proposed modified terms for sale of the Red House

Prepared by: The Secretariat

1. Background

- 1.1. Following the Bureau's instruction, the decision to put the Red House up for sale was made by postal ballot in January 2021.
- 1.2. The Red House has been on the market since 21 April 2021. There have been many viewings and two formal unconditional offers in January 2022 (£1,365,000 and £1,350,000); however, no bids to date meet the minimum agreed price of £1,500,000.

2. Current Situation

- 2.1. The premises are currently being used sporadically by staff at a far reduced rate in combination with homeworking since Covid-19 struck, however, it continues to incur similar running costs to when the building was fully occupied. This is due to the size of the building and its upkeep plus the unfavourable energy price rises seen in 2022, which are exacerbated by the poor energy efficiency of the building.
- 2.2. Additionally, the Bank of England base interest rate on loans in the UK has increased from 1% to 1.75%, therefore prospective buyers are now likely to offer less as it will cost them more to invest than when the Red House was first put on the market.

3. The Finances

- 3.1. The following text outlines the potential growth rate should the lowest offer (worst case scenario) above be accepted:

Outlays

- *Purchase price 2016: £1,000,000*
- *Capital Improvements (windows): £51,549*
- *Total: £1,051,549*

Potential Income

If we accepted an offer of £1,350,000 in 2022:

- $£1,350,000 - £1,051,549 = £298,451$ gain
- Which is 28.5% on the original purchase price, or a compound annual growth rate (CAGR) of 3.6%

- 3.2. The average bank savings rates between 2016 – 2021 were 1%, so for the purpose of comparison, If the IWC invested £1,051,549 in 2016, it would now result in £1,116,240 in the bank.

3.3. Therefore, selling for £1,350,000 would result in a significant gain on investment and £233,760 more than if invested in a bank.

4. Recommendation

4.1. The Secretariat requests flexibility from the Commission to accept a minimum offer price of £1,350,000 but to retain the listed asking price of £1,500,000.