University of the Built Environment
EST. 1919

Patron: His Majesty King Charles III

Horizons, 60 Queen's Road, Reading, RG1 4BS
ube.ac.uk | +44(0)118 921 4696 | enquiries@ube.ac.uk

University of the Built Environment
Institutional Research Repository

Title	Lectures (20 hours) to international students in 2023 for Ecole Supérieure des Professions Immobilières, Paris Campus.
Author(s)	David Hourihan, David Hourihan, David Hourihan and David Hourihan
ORCID	https://orcid.org/0000-0003-1405-3130; https://orcid.org/0000-0003-1405-3130; https://orcid.org/0000-0003-1405-3130; https://orcid.org/0000-0003-1405-3130
Type	Conference or Workshop Item
Publication title	
Publisher	
ISSN/ISBN	
Date	6 November 2023
Version	
DOI	
Repository link	https://ube.repository.guildhe.ac.uk/id/eprint/198/
Link to publication	
Notes	This publication version may differ from the final version

Copyright:
The University aims to make research outputs available to a broader audience via its digital Repository. Where copyright permits, full text material held in the Repository is made freely available.
URLs from GuildHE Research Repositories maybe freely distributed and linked to. Please refer to each manuscript for any further copyright restrictions.

Reuse: Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page, and the content is not changed in any way.

PROPERTY VALUATION

(BG3 ALT S6)

Section 4 –

The Regulatory Environment

Real Estate Business Management Program

Year 3 – Work study program

Présenter: David Hourihan MSc Prop Inv FRICS

6 November 2023

Property Valuation (BG3 ALT S6)

Agenda

1. Introduction
    a. The need for valuations.
    b. Property valuation – summary.

2. The regulatory environment
    1. Valuation governance.
    2. Valuation Standards.
    3. Valuation regulation in the UK.
    4. Regulation of the valuation process.
    5. The Red Book.
    6. Three types of standards.
    7. Other guidance.
    8. RICS information papers and guidance notes.
    9. Useful Links.
    10. Summary.

Property Valuation (BG3 ALT S6)

1. Introduction – The need for valuations

The purpose of the valuation and the type of property that is to be valued will determine the type of valuation used and the basis on which value is carried out.

Valuations maybe required for:

- Market transactions such as buy/sell decisions, letting/re-letting decisions and property management; Investment decisions, including development appraisal and performance measurement.
- Compensation for property rights that are removed.
- Land and Property Taxation.
- Asset valuations.
- Loan Security valuations.
- Assessing insurance risk.

Property Valuation (BG3 ALT S6)

1. Introduction – Property Valuation

Property valuers are asked to advise on the capital and rental value of property.

This valuation service is often closely associated with agency work (buying and selling) where a client needs advice on:

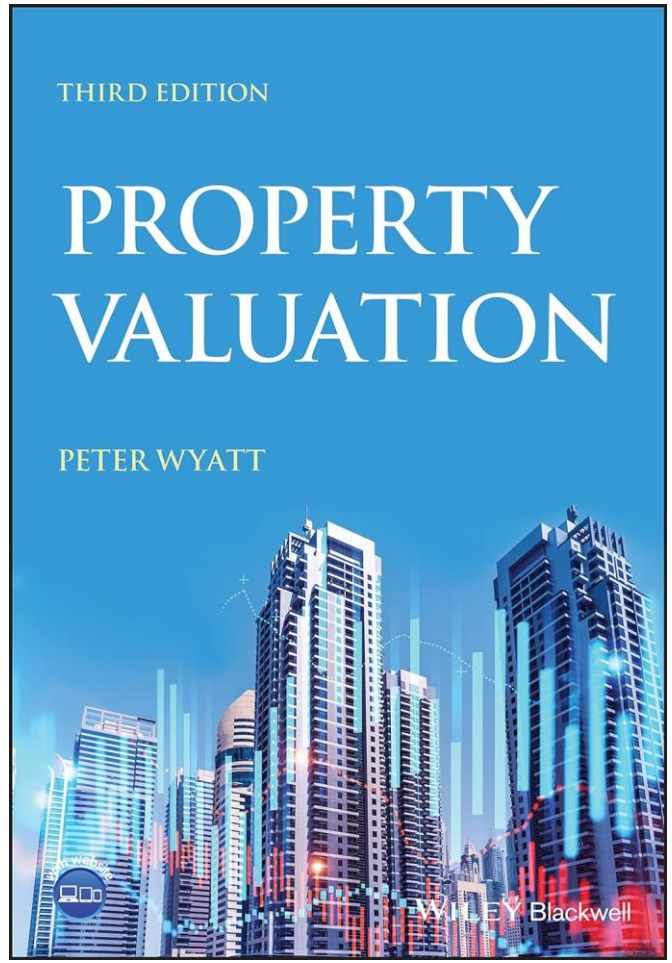
- The appropriate asking price (in the case of a vendor).
- The accuracy of an asking price (in the case of a prospective purchaser).
- The terms of the transaction are negotiated.

Valuers therefore need to be extremely well informed of current market activity / evidence that is relevant to the property.

Market transparency

Active and transparent markets are able to facilitate more reliable valuations.

In reality, many valuers struggle to collect market evidence due to NDAs (Non-disclosure agreements etc).



For further reading see: Section 1.3 'Property Valuation' in Property Valuation (Wyatt 2022).

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Valuation Governance

- Governance refers to all processes of governing whether undertaken by the State, a market, professional association, community or other social network.

- Governance of valuation is essential and encompasses policy, legal and regulatory structure, regulation of valuers, regulation of valuations and education.

- International standards (IVS) govern valuer responsibilities and ethics. These international standards are continuously monitored and regularly revised.

- UK national standards (RED Book) can provide guidance on valuation methods.

See Section 5.2 'Valuation Governance' in Property Valuation (Wyatt 2022).

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Valuation Standards

- Valuation standards support quality, integrity and consistency of valuation process.
- They promote good practice and provide a defence against claims of negligence.
- They seek to ensure that valuations are reported in a consistent way.

See Section 5.2 'Valuation Governance' in Property Valuation (Wyatt 2022).

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Valuation regulation in the UK

- The Royal Institution of Chartered Surveyors (RICS) sets and regulates valuation standards in the UK. The RICS monitors its members to ensure that they comply with these standards.
- Standards published by International Valuation Standards Committee (IVSC) and RICS.
- These standards are mandatory for all surveyors and asked for by main users of valuations, such as banks and mortgage providers.
- The standards deal with process rather than methods of valuation.
- Any departure by a valuer from Red Book procedures without good reason could be evidence of negligence.
- RICS Registered Valuer Scheme.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Regulation of the valuation process

The Royal Institution of Chartered surveyors (RICS):

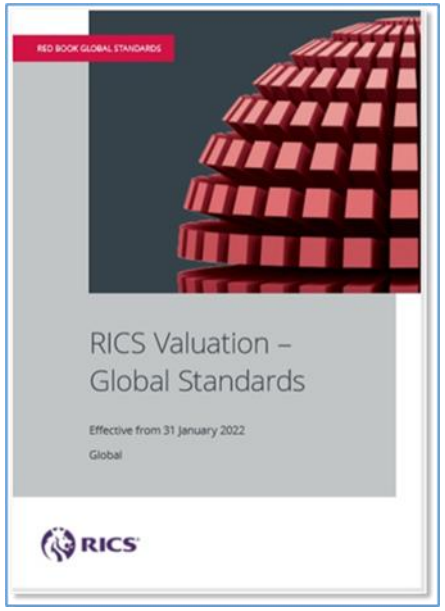
- Ensures accountability.
- Establishes education and training requirements.
- Sets standards of conduct.
- Imposes disciplinary procedures.
- Publishes the RICS Valuation - Global Standards (‘Red Book Global Standards’) and UK national supplement.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – The Red Book

What is a Red Book Valuation?

- ‘Red Book’ Valuations are those that meet the criteria set out by the Royal Institution of Chartered Surveyors (RICS).



What exactly is the ‘Red Book’ and what does it contain?

- RICS Valuation - Global Standards (‘Red Book Global Standards’) contains mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations.
- **It does not dictate which valuation methods should be used but the Red Book does set out the standards that should be followed.**
- These standards include ethical standards, duty of care, the qualifications of the valuer and the minimum content of a valuation report.
- https://www.rics.org/profession-standards/rics-standards-and-guidance/sector-standards/valuation-standards/red-book [accessed: 06/10/23]

2. The Regulatory Environment – The Red Book

Why a Red Book Valuation?

- The main reasons for the ‘Red Book’ is to ensure that clients instructing a RICS Registered Valuer can be sure that they will receive a properly researched valuation prepared by a qualified and independent Valuer working to a set of established and consistent standards.

When carry out a Red Book valuation:

- You must clearly establish the purpose and the subject of valuation.
- Ensure you have appropriate knowledge and experience and are free of conflict.
- Agree appropriate terms and assumptions with the client.
- Confirm your instructions in writing.
- Use the appropriate basis of valuation for the purpose of the valuation.
- Your report must include mandatory items plus any specific statements required by applicable valuations.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Three types of standards

Why have Standards?

Good technique only gets you so far.

Standards fall into three broad groups:

1. Ethical.
2. Procedural.
3. Definitional.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Three types of standards

1. Ethical Standards

- Relate to behaviour of an individual valuer or a firm.

Key requirements:

- Independence.
- Integrity.
- Objectivity.

Ethical requirements distinguish a profession from a trade.

The key is not just to behave ethically but to be seen to be behaving ethically.

UK model is self-regulation – elsewhere professional behaviour often regulated by statute e.g. through licensing.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Three types of standards

2. Procedural Standards

Rules require the valuer to clearly explain:

- What is to be done.
- What has been done.

Why?

- Protecting the user; they need to understand what they are getting.
- Protecting the valuer; reputation would suffer if users were dissatisfied with product.

2. The Regulatory Environment – Three types of standards

3. Definitional Standards

Value is at times a difficult concept;

- Based on hypotheses not fact.
- Mixture of science and art.
- Jargon can confuse or mislead users and undermine credibility.

There is therefore a need for principles and objectives to be codified and common terminology developed to clearly communicate valuation concepts.

2. The Regulatory Environment – Three types of standards

Standards

The RICS Global Material can be grouped under 3 headings:

1. RICS Professional Standards (PS).
2. RICS Global Valuation Practice Statement (VPS).
3. RICS Global Valuation Practice Guidance – Applications (VPGA).

The first two standards here relate to valuations generally, with the third standards relating to particular applications of valuations.

For the UK material, there are also UK Valuation Standards, UK appendices and UK Guidance Notes.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Other guidance

Best Practice for Registered Valuers: https://www.rics.org/uk/upholding-professional-standards/regulation/valuer-registration/best-practice-for-registered-valuers/.

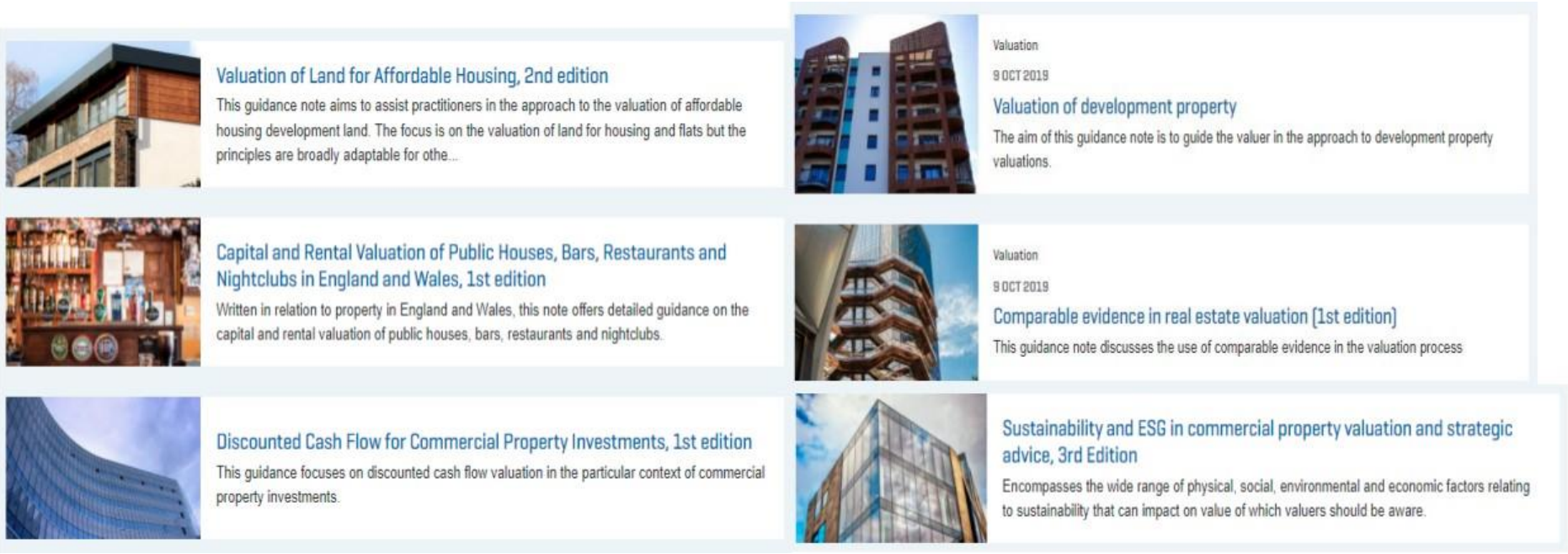
- Terms of engagement and report templates.
- Confirm the valuer's qualification and demonstrate expertise and competence in areas of skill, knowledge and/or geography.
- Confirm conflict of interest checks.
- Terms of engagement.
- Inspection notes.
- Record, reference and analyse comparables.
- Quality of reports: meet RICS standards and/or clients' specialist requirements.
- Manage your files.
- Establish quality assurance processes.
- Link comparables with the valuation figure.
- Valuation calculation or methodology.

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – RICS information papers and guidance notes

In addition to the ‘Red Book’ the RICS also has a related set of Information Papers and Guidance Notes that discuss Valuation Methodology as it relates to specific property types or circumstances. Some examples below:

https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/



Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Useful Links

- RICS Valuation Global Standards. https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/red-book/red-book-global/.

- Red Book UK: Clarification on the relationship between Global Red Book and the UK national supplement.

  As paragraph 4.3 of the RICS Valuation - Global Standards explains, for a number of jurisdictions RICS publishes national supplements to the Red Book global standards to assist members in the application of those standards in a local context.

- International Valuation Standards.

- RICS Guidance and Information notes: https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/

Property Valuation (BG3 ALT S6)

2. The Regulatory Environment – Summary

- Valuers carry out valuations for a client.
- The outcome will usually be in a written report.
- Before the report can be written a series of tasks will be undertaken - valuation process.
- The tasks will be carried out to a high standard in accordance with agreed standards and guidelines.
- All stages will be fully documented and held on file.
- Failure to meet the standards could lead to a negligence claim and professional indemnity insurance is essential.

Next Lecture

Section 5 – Types of Valuation