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

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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
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PROPERTY VALUATION

(BG3 ALT S6)

Section 5 –

Types of Valuation

Real Estate Business Management Program

Year 3 – Work study program

Présenter: David Hourihan MSc Prop Inv FRICS

7 November 2023

Property Valuation (BG3 ALT S6)

Agenda

1. What is Valuation?
2. Types of Valuation.
3. Non-statutory valuations.
4. What is being valued.
5. Who are we valuing for?
6. Red Book.
7. Basis of Value.
8. Concepts of Price and Value.

Property Valuation (BG3 ALT S6)

1. What is Valuation?

Process of estimating an exchange price, known as ‘market value’

Analysis and reporting of price information under certain assumptions

Price quote supported by experience and knowledge

Static view of dynamic market

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2. Types of Valuation

Table 3.1 Statutory and non-statutory purposes for valuation

Types of valuation	
Statutory	*Non-statutory*
• rating and council tax • compulsory purchase and compensation • taxation generally where there is a property dimension • fair rents for dwellings • residential lease extensions and enfranchisements • aspects of commercial leases arising from landlord and tenant legislation	• purchase or disposal of a property • to establish rental value • reinstatement cost for fire insurance • residential and commercial mortgage valuations • valuation for company accounts • development appraisals and to secure development loans

Table 3.1: Isaac D and O'Leary J (2012) Property Valuation Principles (2nd edn) [e-book], Basingstoke: Palgrave Macmillan.

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3. Non-statutory Valuations

- Valuations to establish market value in the context of a sale.
- Valuations to identify market rent.
- Valuations for fire insurance.
- Mortgage Valuations.
- Valuations for company accounts.
- Development Appraisals.

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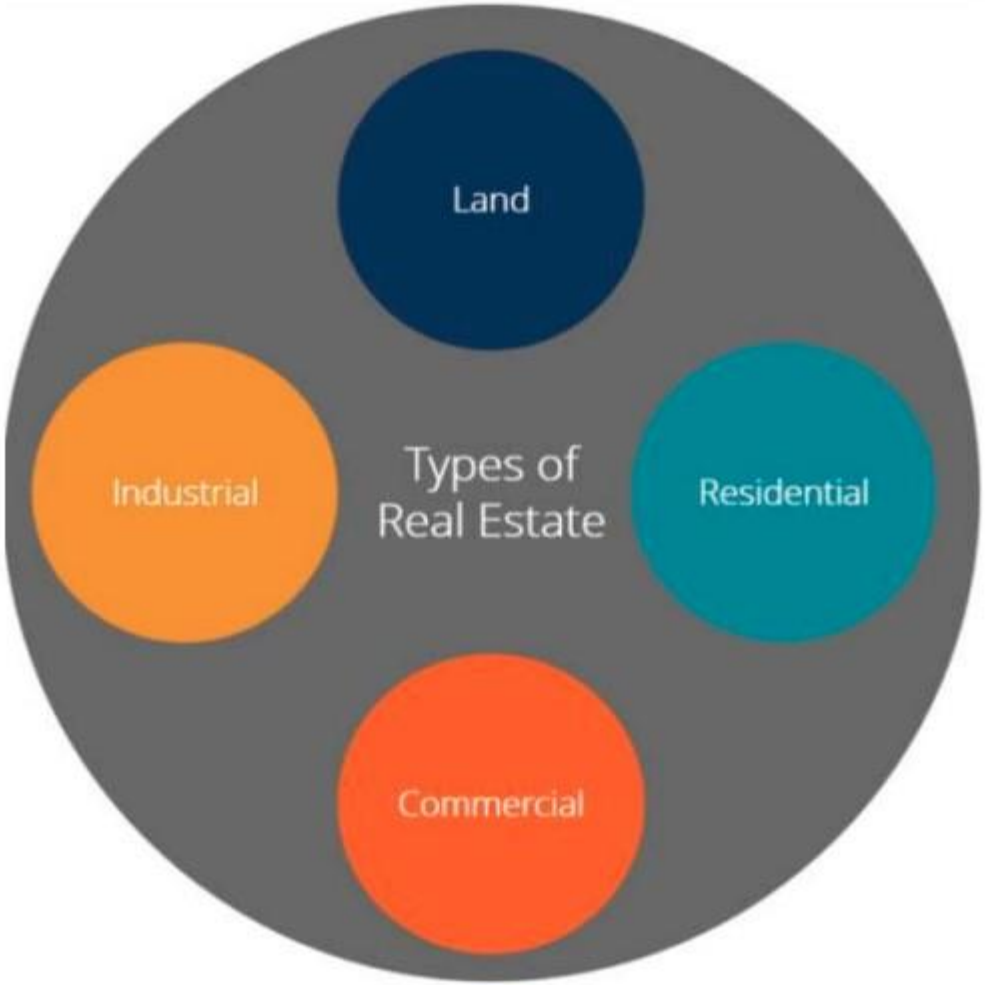
4. What is being Valued



Retail	
	Retail park units
	Supermarkets
	Convenience stores
	Petrol stations
	Pubs and restaurants
	Retail Warehouses
	Standard high street retail
	Shopping Centres
Office	
	City
	West End
	Rest of UK
Industrial	
	Standard industrial
	Distribution centres
	Data centres
Alternative commercial property	
	Primary healthcare (Let to GPs)
	Hotels
	Car parks
	Nursery schools
	Self storage
	Care homes
	Undeveloped land

Source: Property Valuation, 2nd ed, Peter Wyatt

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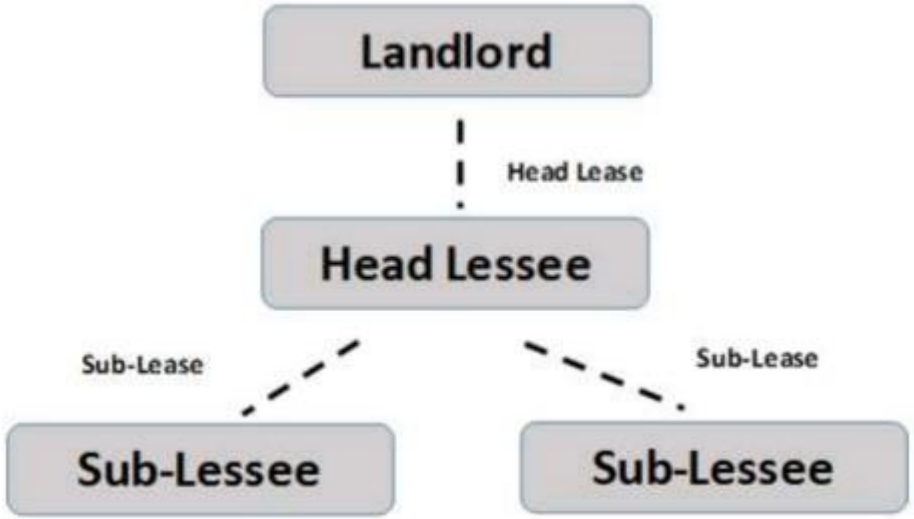
5. Who are we valuing for?

Valuations are also undertaken for lenders or other professionals such as solicitors and accountants.

Landlord is the owner

Tenant

Sub-tenants



Source: Property Valuation, 2nd ed, Peter Wyatt

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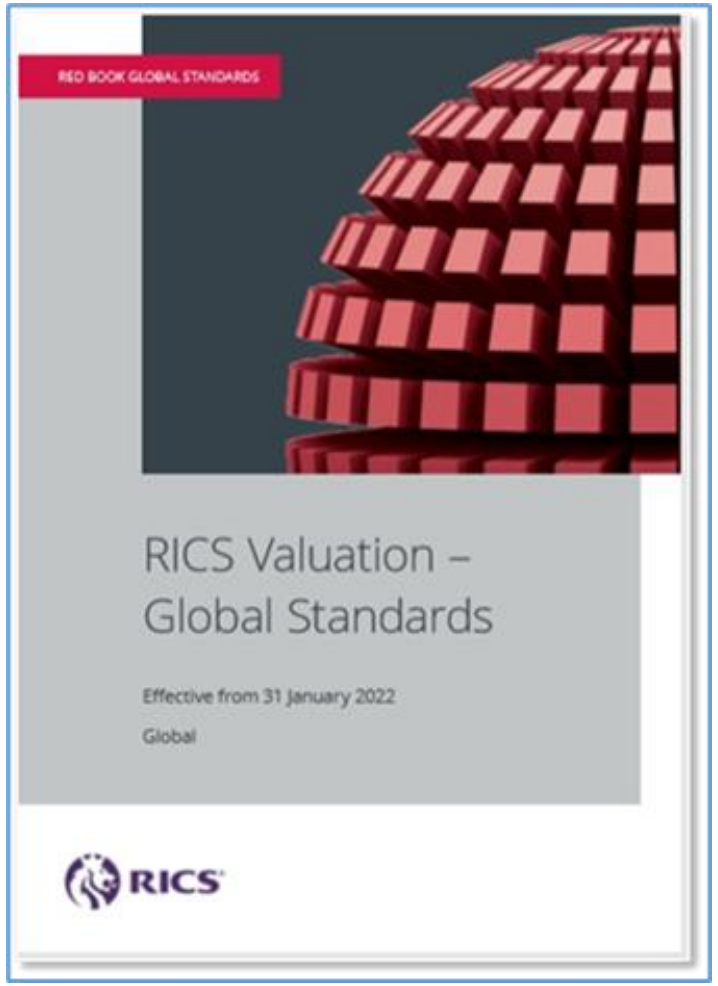
6. Red Book

The ‘Red Book’ – the familiar name for the RICS Valuation – Global Standards.

The Red Book sets out the terms, definitions and framework within which registered valuers should operate when carrying out valuations for clients.

Note: The Red book is updated frequently, and you should always be working to the most current version. There are also national supplements – view UK version.



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7. Basis of Value

The Red Book provide the following key definitions:

1. Market Value – 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'.
2. Investment Value (also known as 'worth') – 'the value of an asset to the owner or a prospective owner for individual investment or operational objectives.
3. Fair value – 'the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.
4. Market rent – 'the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'.

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7. Basis of Value

Examples of the use of the four bases of value are:

1. Market Value: capital value for sale or company accounts or collateral for lending.
2. Market Rent: rental value of property to be leased or for business rates.
3. Investment Value (or worth): value to a specific client.
4. Fair Value: quite specific where two parties have an existing commitment to the property and there is no intention for it to be marketed.

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8. Concepts of Price, Value and Worth

Price ≠ Value

Market Price: Price paid, exchange price.

Market Value: Estimate of exchange price in a defined market.

Market Value ≠ Investment Worth

Investment Worth: Estimate of value to a particular section or person of the market (not Market Value).

Next Lecture

Section 6 – Valuation Procedures