
Survey Advice Pages

Valuation Definitions

Valuations are carried out as defined under one or more of the following headings in accordance with the Practice Statements in the RICS Appraisal & Valuation Manual:-

- (A) **Market Value** is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
- (B) **Market Rent** is the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
- (C) **Projected Market Value** is the estimated amount for which a property is expected to exchange at a date, after the date of valuation and specified by the valuer, between a willing buyer and a willing seller, in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
- (D) **Projected Market Value for repossession proceedings** is the estimated amount for which a property is expected to exchange at a date, after the date of valuation and specified by the valuer, between a willing buyer and a willing seller, in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. This base assumes that during the marketing period the property has been unoccupied and that all furnishings and fittings have been removed. It is further assumed that the vendor (the mortgagee) has to sell the property within a reasonable period to recover the secured debt.
- (E) **Existing Use Value** is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller, in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, assuming the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market value to differ from that needed to replace the remaining service potential at least cost.
- (F) **Re-instatement Cost** is our opinion of the likely cost of re-instating all buildings, normally for insurance purposes, on the basis that:
 - (i) the accommodation provided will be similar in construction, design and area to the existing buildings;
 - (ii) the works will be in compliance with conditions imposed by Local Authorities in connection with the construction of the building;

- (iii) unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to re-building, external works such as hard standings, private roadways and fences and professional fees which would normally be incurred.
- (iv) Unless otherwise stated, the re-instatement cost does not include any allowance for:
 - (v) any loss of rent incurred during re-building;
 - (vi) planning restrictions which a planning authority might impose;
 - (vii) special foundations required for plant and machinery or due to adverse ground conditions;
 - (viii) any plant, machinery, equipment, tanks, loose tools, office furniture and equipment;
 - (ix) any effect of inflation on building costs occurring after the date of the valuation;
 - (x) VAT which will be payable in certain circumstances, both on building works and professional fees – you are advised to discuss this matter with your Insurance Broker.

Note: A re-instatement cost is not a valuation.