

STEP 5

INSTRUCTING A VALUATION

This guide outlines a few of the key points to bear in mind when preparing to instruct a valuation. This is an important stage in the community acquisition of land and property assets and can be complex.

PLEASE DO NOT REGARD THIS AS A COMPREHENSIVE OVERVIEW OF INSTRUCTING A VALUATION - ALWAYS SPEAK TO YOUR LOCAL DEVELOPMENT MANAGER AND SEEK EXTERNAL PROFESSIONAL ASSISTANCE FOR THE PARTICULAR PROJECT YOU ARE UNDERTAKING.



BEFORE YOU INSTRUCT A VALUATION OF A PROPERTY (LAND OR BUILDINGS) IT IS IMPORTANT THAT YOU ARE CLEAR ON THE FOLLOWING ISSUES:

- **IS THE PROPERTY CURRENTLY FOR SALE? IF NOT, IS THE CURRENT OWNER AWARE OF (AND IN AGREEMENT WITH) THE COMMUNITY EXPLORING THE POTENTIAL TO PURCHASE THE PROPERTY?**
- **THE VALUATION SHOULD BE INSTRUCTED BY A RECOGNISED COMMUNITY GROUP - PREFERABLY, THOUGH NOT NECESSARILY, THE SAME GROUP THAT IS LOOKING TO TAKE OWNERSHIP.**
- **THE VALUATION MUST BE CARRIED OUT BY A QUALIFIED VALUER REGISTERED BY THE ROYAL INSTITUTE OF CHARTERED SURVEYORS (RICS).**

WHAT TO INSTRUCT THE VALUER

When instructing a qualified valuer to carry out a valuation you will need to set out a number of issues including:

- when the valuation inspection and report is to be carried out
- confirmation of agreement from current owners for valuer to take access to view the property
- the fee for the valuation
- that the basis for the valuation should be market value, as funding bodies may not accept any other valuation basis.

INSTRUCTING THE VALUATION

Valuations should be undertaken by a Royal Institute of Chartered Surveyors (RICS) Registered Valuer. In some cases the Valuation Office Agency (VOA) (the 'District Valuer') may agree to undertake the valuation. You should seek quotes for the valuation in the first instance but should not instruct the valuation until you have the funds to pay for it.

Valuations can be jointly instructed by the seller and the buyer. This is the recommended approach for Asset Transfer requests. This should only be done where both parties are involved in commissioning the Valuer to a jointly agreed Brief, and both parties have the opportunity to make representations to the Valuer. This is the best practice approach as both parties agree to accept the valuation figure. However it is recognised this is not always achievable in practice.

For applications under the Community Right to Buy and Crofting Community Right to Buy legislation, the valuation will be instructed by the Scottish Government. Asset Transfer Requests under the Community Empowerment Act 2015 do not require the community to instruct a valuation.

ASSUMPTIONS OF USE

The instruction should ordinarily be to undertake a market valuation of the land/property. Valuers will refer to the definition in the RICS Red Book (<http://www.rics.org/uk/knowledge/professional-guidance/red-book>) which determines that market value will reflect any development potential as well as any burdens on the land or title. The market value reflects its highest and best use, that maximises the potential of the land or property and is possible, legally permissible and financially feasible. This may be a different use from that which the asset is currently being used.

The applicant may have to produce evidence to the Valuer that an alternative use should reasonably be considered.

WHAT LAND AND PROPERTY ASSETS AND RIGHTS ARE INCLUDED IN THE LAND BEING VALUED?

It is important that you are clear about what you are asking the valuer to value. Can the current owner/seller provide details of the extent of the property and land being offered for sale? Where are the boundaries? These will usually be identified in the title deeds by description or by a map, though a valuer will not usually require access to the title deeds to carry out a valuation. If the property is being sold on the open market, the selling agents should be able to provide this information.

As well as the land itself, there may be additional assets and rights to be included in the valuation such as:

- Fishing, shooting and mineral rights.
- Fixtures and fittings. It is generally assumed that, unless stated otherwise, all fixtures (any item that is attached to the ground, floor or walls) will be included in a sale, but that fittings (any item that is free standing or hung by a nail or hook) will be removed.
- Income from wayleaves. Service providers such as telephone, electricity or gas companies can have agreed legal rights to lay and maintain cables and pipes on the land. Annual wayleave payments are usually paid for these.
- Does landownership include rights over anyone else's land? This may apply to neighbouring property – called a servitude right – and may include access rights.



DOES ANYONE ELSE HAVE RIGHTS OVER THE LAND?

A landowner's ability to occupy and use a property may be subject to third parties having rights over the land which can affect the property's value. If your community group already has a lease over the property then, depending upon the lease terms, this may affect the value/price at which the current owner may be willing to sell the property to you. Relevant questions which will need to be addressed include:

- Is any of the land leased to a third party? If so, the valuer will need to see a copy of the lease document as the terms of the lease may have a considerable effect upon the property's value.
- Are there any access or other servitude rights held by third parties?
- Is the current owner looking to retain any rights over the land being sold?

WHAT IS THE CURRENT CONDITION OF THE PROPERTY?

To provide an accurate assessment of a property's value, a valuer needs as much information as possible about its current condition. This may include:

- Building condition. For buildings that appear to be in poor condition/ in need of significant structural or other building works, a full building / structural survey may be required prior to instructing a valuation.
- Boundary fences/walls. What is their current condition and who is responsible for their maintenance and replacement?

There are specific additional valuation considerations for valuations of estate, forestry and agricultural land.

WHAT OTHER VALUATION CONSIDERATIONS MIGHT BE TAKEN INTO ACCOUNT?

A wide range of further considerations might be relevant to your project, which could include:

- Outstanding property-related issues such as disputes with neighbouring landowners over boundaries or access rights or contractual agreements that the current owner wishes to transfer to the new owner as part of the sale.
- Planning issues: What is the land zoned for in the current Local Development Plan or in proposed changes to the Local Plan?
- Compliance with statutory and local authority requirements
- Environmental and Historic Designations
- Whether the property has any known hazardous materials present such as asbestos.
- Whether there is any known/potential ground contamination or other environmental issues caused by previous commercial/industrial usage.
- Flooding: The Scottish Environmental Protection Agency (SEPA) produce flood maps which show areas (rather than individual properties) which are likely to flood from rivers, the sea and surface water. If local residents know that the property is prone to flooding it is important that this is brought to the valuer's attention.

HOW LONG WILL THE VALUATION REMAIN VALID?

A valuation is valid on the date of the report, and funders will generally accept a valuation that has been carried out in the last three to six months. If the acquisition process takes longer than this, you may need to get a re-valuation carried out.

HAS THE VALUER MADE ANY ASSUMPTIONS?

Within a valuation report the valuer will list the assumptions that have been made when carrying out the work. If it subsequently turns out that an assumption is wrong and there is a concern that this might materially affect the valuation, a re-valuation may be required. This is not necessarily onerous or expensive as much of the required work will have already been done, but it is important that, as far as possible, all material issues are identified prior to the valuation being carried out.

For more detailed information refer to the RICS Professional Guidance on valuation, also known as 'the Red Book'.

This is freely available online.

FOR FURTHER INFORMATION PLEASE SEE

www.hie.co.uk/ten-steps

or contact us on community.assets@hient.co.uk

