

## Appendix 1 - Sample

Please see below for a sample of 2/ 42 pages from chapter 4 final valuation.

In addition to the summary tables there are diagrams of the key learning points and example questions. This shows the style and detail of the content. Please note the Revision Guide is black and white and the Crib Book is colour.

<p><b>Basis of valuation</b></p> <p><b>Red Book reference – Valuation Practice Statement 4</b></p> <p><b>A set of assumptions in a hypothetical scenario</b></p>	<p>Consistent basis of value:</p> <ol style="list-style-type: none"> <li>1. Market value – loan security <ul style="list-style-type: none"> <li>● No special purchaser</li> <li>● Reasonable marketing period</li> <li>● Willing and knowledgeable buyer and seller</li> <li>● Subject to special assumptions?</li> </ul> </li> <li>2. Market rent – lease terms</li> <li>3. Investment value – investment mkt</li> <li>4. Fair value - valuation for accounts</li> </ol> <p>Most common for residential – market value / market rent</p> <p>Occasionally investment value for buy to let advice</p>
<p><b>Special assumptions Vs assumptions</b></p> <p><b>Red Book - Valuation Practice Statement 4</b></p>	<ul style="list-style-type: none"> <li>● Special assumption - something that is not the case for a 'what if scenario' eg valuing a tenanted property with vacant possession or restricted marketing period in forced sale scenario.</li> <li>● Assumption – something that is probably true but you do not know for sure eg – the terms of the tenancy have been complied with.</li> </ul>
<p><b>Methods – ways to produce a valuation</b></p> <p><i>Residential methods expected in italics</i></p>	<ol style="list-style-type: none"> <li>1. <i>Comparable</i></li> <li>2. <i>Investment</i></li> <li>3. <i>Residual and dev appraisal</i></li> <li>4. Profits</li> <li>5. DRC (Contractors for rating)</li> </ol>
<p><b>1.Comparable method</b></p>	<p>RICS GN Comparable Evidence in Property Valuation 2010</p>

1. Look at subject property
2. Select comps – verify info
3. Analyse comps
4. Display in matrix
5. Weight comparables
6. Value property
7. Stand back and look

Explain **weighting and analysis** of comparables in questioning.

**Comparable evidence in real estate valuation 1st edition, October 2019 guidance note**

RICS guidance note



RICS professional standards and guidance, global  
Comparable evidence in real estate valuation  
1st edition, October 2019



rics.org/guidance

The process of identifying, analysing and applying comparable evidence to the property to be valued is fundamental to producing a sound valuation that will be able to withstand scrutiny from the client, the market and ultimately, the courts.

**Use of comparable evidence**

- Principles
  - Comprehensive
  - Similarity
  - Recent
  - Verifiable
  - Consistent with local market practice
  - Result of underlying demand
- Encourage Consistency
- Availability issues
  - Inactive market
  - Rapidly changing market
  - Unusual properties
  - Local market may lack transparency
- Potential sources of comparable evidence and their relative importance
  - Transactional evidence – best
  - Publicly available info – further investigation will be required
  - Published databases – not primary source
  - Asking prices – not reliable evidence of value, treat with caution
  - Historic evidence – can be useful used in combination with market knowledge

### Sample mind map

This is a sample showing the colour mind map for Red Book 2020 from the valuation chapter in the crib book.

