



Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding

UK

1st edition, March 2021

VALUATION OF PROPERTIES IN MULTI- STOREY, MULTI- OCCUPANCY RESIDENTIAL BUILDINGS WITH CLADDING

RICS guidance note, UK

1st edition, March 2021

Effective from 5 April 2021



Published by the Royal Institution of Chartered Surveyors (RICS)

Parliament Square

London

SW1P 3AD

www.rics.org

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ISBN 978 1 78321 414 3

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RICS professional standards and guidance

RICS guidance notes

Definition and scope

RICS guidance notes set out good practice for RICS members and for firms that are regulated by RICS. An RICS guidance note is a professional or personal standard for the purposes of *RICS Rules of Conduct*.

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No liability is accepted by RICS to any third party for reliance on this guidance in matters of life safety, nor for any liability that may arise as a result of any party using this guidance note to decide whether an EWS1 form is required

Document status defined

The following table shows the categories of RICS professional content and their definitions.

Publications status

Type of document	Definition
<i>RICS Rules of Conduct for Members and RICS Rules of Conduct for Firms</i>	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and RICS regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide (JG)	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

Glossary

Cladding (for the purposes of valuation only)	<p>A method of enclosing a building externally by the attachment of finishing materials spanning between given points of support on the face of the building. For the purposes of this guidance note, the material types together with their fixings to be considered as cladding are:</p> <ul style="list-style-type: none"> • aluminium composite material (ACM) • brick slips • high pressure laminate (HPL) • metal composite material (MCM) • metal sheet panels • rendered external wall insulation system • plastic • tiling systems and • timber. <p>Note: this list of cladding types is as defined by the UK government in Building Safety Programme: estimates of EWS1 requirements on residential buildings in England.</p>
Curtain wall glazing	<p>An external wall cladding type comprising a frame or grid fixed to the face of a structure, usually at floor levels, with glass infill panels, with or without spandrel panels.</p>
Storey	<p>A storey is any floor or part of a floor of a building visible above ground level, including the ground floor, whether used for residential, commercial, parking or other use. It does not include basements or mezzanine levels. Where a building has multiple levels, the highest number of floors in the building should be used for applying the criteria.</p>

For the purposes of this document, and for consistency with the [Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings](#), the following external wall types have been excluded from the term 'cladding':

- masonry construction (panels of solid brickwork, blockwork, or stonework)
- traditional cavity wall construction (with a brickwork, blockwork or stonework external leaf)
- timber framed buildings (with a brickwork, blockwork or stonework external leaf)
- concrete panels and
- stone panels.

1 Introduction

1.1 Purpose

This document is intended to help valuers undertaking valuations for secured lending purposes on domestic residential blocks of flats in the UK only, but may also be useful when undertaking valuations of such properties for other purposes. It does not apply to individual terraced, semi-detached or detached houses, bungalows or developments considered to be non-domestic. Following consultation with the fire safety industry, insurers and lenders, it provides criteria that can be used by a competent valuer during a standard valuation inspection to identify buildings where remediation work to cladding for fire safety purposes that may materially affect the value of the property is likely to be required.

This guidance note is not intended to be, nor should it ever be used as, a substitute for or part of a professional life safety fire risk assessment of any building. The EWS1 form is not a safety certificate and the fact that an EWS1 form is not required for a particular building does not mean that the building may not require some form of remediation in the future. This guidance is purely to help valuers understand when an EWS1 form is required due to visible cladding and it is likely, under current government guidance, that remedial works affecting the value of the property would be needed to remedy any defects with that cladding.

1.2 Effective date

This guidance note is effective from 5 April 2021 with earlier adoption encouraged.

1.3 Current UK government guidance

In January 2020 the UK government published [Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings](#) (the consolidated advice note). An [additional supplement](#) to this document was published in November 2020.

The consolidated advice note outlines the advice of the Ministry of Housing, Communities and Local Government's (MHCLG) Independent Expert Advisory Panel on building safety for owners of domestic residential blocks of flats, following the Grenfell Tower disaster and other fires in residential buildings in England. Paragraph 1.5 advises that 'the need to assess and manage the risk of external fire spread applies to buildings of any height'.

The Independent Expert Advisory Panel considers that certain types of ACM cladding cause a significant fire risk on buildings of any height, and as such the document advises that remedial actions may be required in such buildings where there is a risk to the health and safety of residents.

Although this consolidated advice note was intended for use in England, it has also been used for advice in the rest of the UK. The Local Government and Communities Directorate in Scotland is producing a [similar advice note](#) for use in Scotland, reflecting differences in legislation, which reflects the English advice note in advising on inspecting lower-rise buildings in addition to high-rise.

When the Fire Safety Bill comes into force – expected to be in Spring 2021 – the building owners of all multi-storey, multi-occupied buildings in England will be required to undertake fire risk appraisals and assessments of their buildings, which includes, where appropriate, an assessment of the external wall system.

1.4 RICS valuation standards

All valuers in the UK are required to comply with **RICS Valuation – Global Standards** (Red Book Global Standards) and **RICS Valuation – Global Standards: UK national supplement**. These standards require a valuer to act within their competence, apply professional scepticism to information available to them and, when advising for residential mortgage purposes, provide independent objective advice to the lender on:

- a** the nature of the property and factors revealed during the inspection that are likely to materially affect its value
- b** the market value (and/or market rent if required) including, where reasonable and agreed in the terms of engagement, specified assumptions or special assumptions and
- c** where there are serious cases of disrepair or obvious potential hazards revealed during the inspection that may have a material impact on its value. (UK VPGA 11.1)

An assumption is made where it is reasonable for the valuer to accept that something is true without the need for specific investigation or verification. Any such assumption must be reasonable and relevant, having regard to the purpose for which the valuation is required.

If the valuer does not have the required level of expertise to deal with some aspect of the valuation assignment properly, they should decide and agree with the client what assistance is needed from other professionals who would be competent to provide specialist information.

A valuer has to take into account all known information when valuing a property. This would include considering any existing EWS1 form, even if one would not need to be requested under this guidance.

A more detailed summary of the relevant valuation standards is provided in Appendix C.

1.5 Valuation standards and the consolidated advice note

The purpose of a mortgage valuation is set out in *RICS Valuation – Global Standards: UK national supplement* and includes providing an assessment of market value of a property. A valuation is not a fire or life safety risk assessment. Valuers will not be competent or insured to assess the composition of cladding or any other attachments to the building, nor will the non-intrusive inspection that a valuer is usually instructed to carry out allow for such an assessment.

The valuer will make an assumption under the existing valuation standards that no deleterious or hazardous materials have been used in the construction. However, a valuer will need to carefully consider whether the presence of cladding or balconies on a multi-storey, multi-occupancy residential building is an obvious potential hazard that may materially affect the value of the property and its saleability. This guidance note sets out RICS' advice on that decision. It does not address the valuation approach to other hazards that would not be visible to a valuer that may affect the value of a property in a multi-storey, multi-occupancy building.

If the valuer considers that the presence of cladding or balconies may materially affect the value of the property, they would need further information before making a valuation. This may include specialist input from a competent expert on the composition of any cladding or attachments, and the likelihood that the building will require remedial work.

2 The EWS1 form

In the UK, if required by a valuer or lender, specialist input from a competent expert on cladding can be sought through an **EWS1 form**. This form was developed in consultation with a range of market participants, including the UK government, UK Finance, the Building Societies Association, lenders, chartered engineers registered by the Institution of Fire Engineers, developers, managing agents, building owners, chartered valuation surveyors, and legal representation.

EWS1 was designed as a means of ensuring that a suitable assessment has been carried out by a competent fire expert to provide information about whether remedial works are likely to be required for a building. It is intended for use in valuation only, not as a fire risk assessment, and provides a simple and clear pro forma from which lenders and valuers can assess whether there is a need for remedial works that will affect value. This enables lenders and valuers to provide the best advice to those wishing to access finance and make purchasing decisions.

The process has logically followed the path of leaseholders asking the building owner to obtain the EWS1 form for buildings in scope, which is then provided to valuers and lenders.

2.1 Criteria where an EWS1 should be required

Requesting an EWS1 for buildings where there is no visible cladding or a low risk of remediation work creates long and unnecessary delays to the buying, selling or re-mortgaging of such properties. It also prevents the limited pool of competent experts from focussing their assessments on properties where there is a significant risk to the safety of occupants. A valuer should always have a rationale to justify the request for an EWS1 form.

Where a valuer or lender has been able to establish (within the limits of their competence) that the building owner has met the advice in the consolidated advice note, or that a building over 18 metres has a valid building control certificate in accordance with **The Building (Amendment) Regulations 2018** (or the equivalent in the devolved nations as applicable), an EWS1 form should not be required. Where there is a route to remediation (for example through a warranty from the freeholder to cover the costs of remediation or from government grant funding), the valuer may take that into account in their valuation. A valuer should also follow any guidance issued by their lender client, who may give specific instructions about when they agree to a valuer making an assumption of this nature without an EWS1 form being required. Any such specific instructions should be clearly referenced in the valuer's terms of engagement and valuation response.

Where the requirement above cannot be met and the client has given no specific instructions, RICS has developed – in consultation with the fire safety sector and lenders – the following criteria representing reasonable circumstances where remediation work to cladding or balconies that may materially affect the value of the property is likely to be needed, and an EWS1 form should therefore be required. Appendix B sets out the criteria in a decision tree.

These criteria are guidance and professional judgement will need to be applied. For example, in considering whether there is a significant amount of cladding on a building, cladding that links multiple floors of a building or is around the main route of escape is likely to require remediation.

For buildings over six storeys, an EWS1 form should be required where:

- There is cladding or curtain wall glazing on the building **or**
- there are balconies which stack vertically above each other and either both the balustrades and decking are constructed with combustible materials (e.g. timber) or the decking is constructed with combustible materials and the balconies are directly linked by combustible material.

For buildings of five or six storeys, an EWS1 form should be required where:

- There is a significant amount of cladding on the building (for the purpose of this guidance, approximately one quarter of the whole elevation estimated from what is visible standing at ground level is a significant amount) **or**
- there are ACM, MCM or HPL panels on the building* **or**
- there are balconies which stack vertically above each other and either both the balustrades and decking are constructed with combustible materials (e.g. timber), or the decking is constructed with combustible materials and the balconies are directly linked by combustible materials.

For buildings of four storeys or fewer, an EWS1 form should be required where:

- There are ACM, MCM or HPL panels on the building*.

* Note: metal cladding and ACM/MCM are visually very similar, so if metal panel cladding is present, the valuer should confirm with the building owner or managing agent in writing that they are not ACM/MCM, or, if confirmation cannot be obtained, an EWS1 inspection should be requested.

When deciding on whether an EWS1 form should be commissioned, the valuer should take and maintain a record of the site notes, risk assessment criteria and photographs made at the time of any inspection specific to this decision. It may be appropriate not to make this decision during the inspection, but rather to prepare it from the notes taken and after appropriate consideration and reflective thought, which should be documented.

Valuers should record the rationale for their decision about whether an EWS1 form is required. The valuation report should also state that there may be costs of remediation at some point in the future dependent upon a full fire risk assessment of the building, which includes a fire risk appraisal and assessment of the external wall construction, but for the purposes of the valuation these costs are not assumed to significantly affect the value at this point in time.

It is important to note that a decision by a valuer not to request an EWS1 form during the valuation process provides no assurance that there are no fire or life safety risks, but only considers whether there is a likelihood that remediation work affecting value will be needed, based on the presence or absence of cladding and other attachments to the building. Buyers should always be advised to seek a copy of the existing fire risk assessment for the building before purchasing.

Fire safety is an important subject that all RICS members must be familiar with, and the *Cladding for surveyors* RICS supplementary information paper is recommended reading.

3 Risk and liability

It is important that the valuation report provides clarity and transparency about which liabilities are assumed by the valuer and which are not. This enables the lender and borrower to understand the valuer's role and responsibilities. If the valuation report is not disclosed to borrowers, the lender should make these limits clear in the lending documents. This guidance note is RICS' advice based on consultation with relevant bodies about the likely need for remediation and has been agreed with the major lenders, but it is important to note that not requesting or having sight of an EWS1 form for those properties outside the criteria in this document is no guarantee that future remediation costs affecting value will not be required.

To ensure clarity around this, RICS recommends that valuers use the following wording to notify clients that a change in guidance, or the production of a fire risk assessment in future, might reveal the need for works that have not been considered in this valuation.

Suggested wording to be included in valuation reports where an EWS1 is not being requested:

'The building has cladding and/or balconies but further information has not been requested about whether remediation works may be required because it falls outside RICS advice current at the time of this valuation. However, this decision is not a guarantee that works will not be required in future.'

Wording to be used where an EWS1 is being requested:

It is likely that lenders will provide standard paragraphs for valuers to use when an EWS1 form is either requested or viewed. Where an EWS1 form is requested, it is important not only that the valuation is based on its assessment, but also that the valuer makes it clear in the terms of engagement that the valuation will be based on the EWS1 form. The valuer must also use the disclaimers set out below, to limit their liability in the event that the assessment contained in the EWS1 form turns out to be inaccurate.

The valuer should always check that the section of the EWS1 form stating the name, organisation, qualifications and professional body of the person completing the EWS1 form has been completed, that the information set out in Notes 2 and 3 has been completed, that the information in the EWS1 form is complete and appears to make sense, and that the form has been signed and dated.

Suggested wording for the valuer/borrower to be included in the valuation report:

'In arriving at the valuation for mortgage purposes, your mortgage lender and the mortgage lender's appointed valuer (where applicable) have relied on the EWS1 form provided in good faith by a professionally qualified third party. Neither this firm nor the author of this valuation has any liability to the lender or to you, the borrower, for any losses or potential losses arising directly and solely from the valuation being provided in reliance upon the EWS1 form. If you require further information, then please seek independent advice prior to legal commitment to purchase.'

RICS-regulated firms should also agree a disclaimer with each lender client as part of their contractual arrangements. The following wording can be used in this type of agreement and RICS-regulated firms should always take independent legal advice.

Suggested wording for RICS-regulated firm and lender client to be included in the valuation report and terms and conditions:

'We [insert name of lender] formally acknowledge that where a valuation prepared for mortgage lending purposes by [you/identify valuation firm]/[our appointed valuers and valuers panel] has been prepared in reliance upon the EWS1 form (or as revised) in the full knowledge and understanding that this document is produced in good faith by a professional third party but excludes any liability to the lender, the valuer, valuer panel or the borrower, we agree that neither we, nor any person deriving title to the mortgage from us, will pursue a claim against the valuer personally or against this firm for any losses or potential losses arising directly and solely from the valuation being provided in reliance upon the EWS1 form.'

Where such an agreement is not possible, RICS members should use the following words in the valuation report:

'In arriving at the valuation, we have relied on the EWS1 form, prepared by a professionally qualified third party. In so doing, we are not offering any advice as to the accuracy, completeness or fitness for purpose of the form or its content, and neither the individual preparing the valuation nor this firm shall have any liability to you, or to any third party with whom you share the valuation, for any losses or potential losses arising directly and solely as a result of any inaccuracies or errors in, or otherwise in any way related to, the EWS1 form.'

Appendix A: Case studies

The following case studies are representative samples of buildings but each building needs to be considered on an individual basis. It should be noted that the buildings in these case studies are used only as images to demonstrate the application of the EWS1 requirement criteria from the valuer's perspective, and do not represent fire safety advice on these or similar buildings, which need to be considered on a case-by-case basis.

A1 Case study 1



Figure 1: Case study 1

© Max Whitehead

Criteria	Height	Over 6 storeys.
	Visual inspection of facade	Concrete panels with concrete balconies.
EWS1	Not required	
Rationale	Concrete panels are excluded from the list of cladding and the balconies are not constructed of combustible material, therefore, although the building is over 6 storeys, an EWS1 form should not be required.	

A2 Case study 2



Figure2: Case study 2

© Lucia Bravo

Criteria	Height	Over 6 storeys.
	Visual inspection of facade	Metal composite material (MCM)
EWS1	Required	
Rationale	The building is over 6 storeys with MCM cladding and, therefore, an EWS1 form should be required.	

A3 Case study 3



Figure 3: Case study 3

© Lucia Bravo

Criteria	Height	Over 6 storeys.
	Visual inspection of facade	Brickwork with concrete/brickwork balconies.
EWS1	Not required	
Rationale	Traditional cavity wall construction (with a brickwork, blockwork or stonework external leaf) are excluded from the list of cladding and the balconies are not constructed of combustible material, therefore, although the building is over 6 storeys, an EWS1 form should not be required.	

A4 Case study 4



Figure 4: Case study 4

© MHCLG

Criteria	Height	6 storeys.
	Visual inspection of facade	Mostly brickwork, with some small isolated areas of timber cladding (less than one quarter of the façade surface) with balconies having timber decking and metal balustrades.
EWS1	Required	
Rationale	Traditional cavity wall construction (with a brickwork, blockwork or stonework external leaf) are excluded from the list of cladding and the timber cladding is only present in small areas, much less than one quarter of the façade surface. However, the balconies are stacked vertically above each other, and the timber decking and the timber cladding – which directly links the balconies – is combustible. Therefore, an EWS1 form should be required.	

A5 Case study 5



Figure 5: Case study 5

Criteria	Height	6 storeys.
	Visual inspection of facade	Mostly brickwork, no balconies.
EWS1	Not required	
Rationale	Traditional masonry wall construction is excluded from the list of cladding. There are no balconies to consider. Therefore, an EWS1 form should not be required.	

A6 Case study 6



Figure 6: Case study 6

Criteria	Height	5 storeys.
	Visual inspection of facade	Brickwork to ground floor, with a mixture of terracotta rainscreen and timber cladding to upper floors.
EWS1	Required	
Rationale	Traditional cavity wall construction (with a brickwork, blockwork or stonework external leaf) are excluded from the list of cladding. However, the terracotta rainscreen is present on more than one quarter of the overall façade and the timber cladding is present around the sole means of escape staircase, and therefore, an EWS1 form should be required.	

A7 Case study 7



Figure 7: Case study 7

© MHCLG

Criteria	Height	4 storeys.
	Visual inspection of facade	Brickwork, with balconies having timber decking and balustrades.
EWS1	Not required	
Rationale	Traditional cavity wall construction (with a brickwork, blockwork or stonework external leaf) are excluded from the list of cladding. The balconies are constructed of combustible material and are stacked vertically above each other; however, this is not a criterion requiring an EWS1 form at 4 storeys or fewer. Therefore, an EWS1 form should not be required.	

A8 Case study 8



Figure 8: Case study 8

Criteria	Height	4 storeys.
	Visual inspection of facade	Mixture of brickwork and timber clad infill panels (more than one quarter of the overall façade surface).
EWS1	Not required	
Rationale	Traditional cavity wall construction (with a brickwork, blockwork or stonework external leaf) are excluded from the list of cladding. Although the timber cladding is present on more than one quarter of the overall facade, this is not ACM/MCM and therefore is not a criterion requiring an EWS1 form at 4 storeys or fewer. Therefore, an EWS1 form should not be required.	

A9 Case study 9



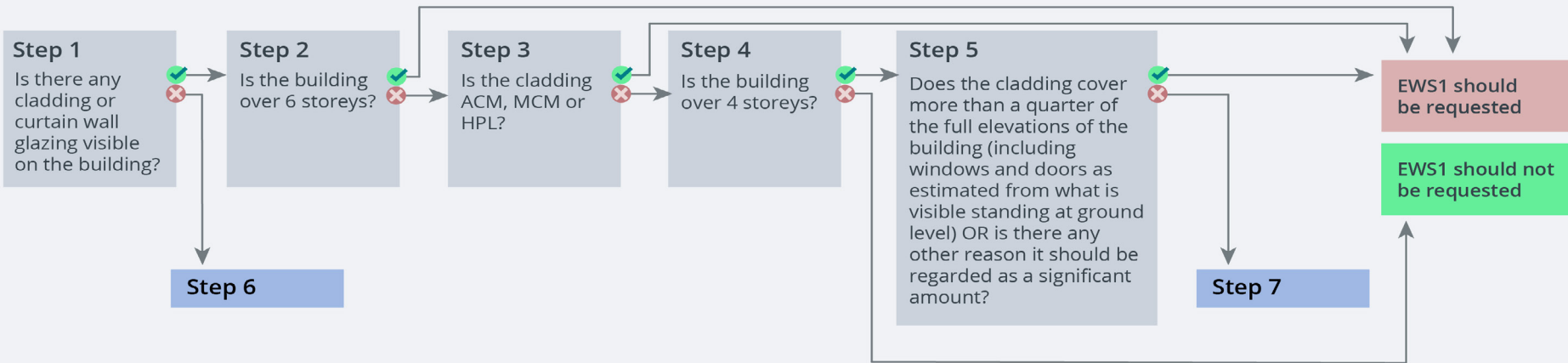
Figure 9: Case study 9

© Gavin Jones

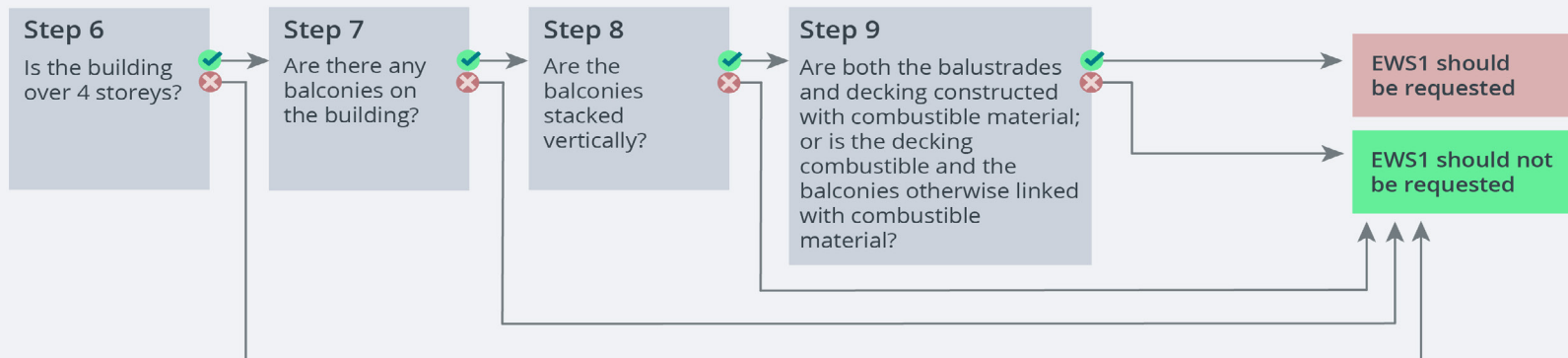
Criteria	Height	3 storeys.
	Visual inspection of facade	Brickwork to ground floor, with metal composite material (MCM) cladding to upper floors.
EWS1	Required	
Rationale	The building is under 4 storeys but has MCM cladding, and therefore, an EWS1 form should be required.	

Appendix B: EWS1 form decision tree

CLADDING



BALCONIES



Appendix C: Application of RICS Valuation – Global Standards and UK national supplement to the valuation of properties in multi-storey, multi-occupancy residential buildings with cladding

This appendix is a short summary of **RICS Valuation – Global Standards** (Red Book Global Standards) and **RICS Valuation – Global Standards: UK national supplement** where relevant to the subject issue. It is not an exhaustive reproduction of these standards, which should be read in conjunction with this summary where appropriate.

VPGA 2 of Red Book Global Standards covers valuation of interests for secured lending. Further detailed requirements relating to mortgage valuation are included in the UK national supplement and are summarised further below. The UK national supplement also contains guidance for other purposes related to secured lending (UK VPGA 13). Independent valuations undertaken by regulated RICS members may also be commissioned by prospective purchasers, these are also governed by Red Book Global Standards and UK national supplement.

C1 General

If supplied in written form, 'all valuation advice given by members is subject to at least some of the requirements of the Red Book Global – there are no exemptions'. (PS 1 paragraph 5.1)

Members are required to have sufficient 'knowledge of the asset type and its particular market, and the skills and understanding necessary, to undertake the valuation competently'. (PS 2 paragraph 2.1)

In some circumstances the member may not have the required level of expertise to deal with some aspect of the valuation assignment properly. In this case they should 'decide what assistance is needed. With the express agreement of the client where appropriate, the member should then commission, assemble and interpret relevant information from other professionals'. (PS 2 paragraph 2.4)

It is recognised that a lender will often 'provide a standard valuation report format' (UK VPGA 11.6). Whatever format is used the information provided in the report should comply with the reporting requirements contained in VPS 3.

C2 UK Residential Mortgage Valuation

RICS Valuation – Global Standards: UK national supplement has a specific guidance section (UK VPGA 11) that provides good practice advice to valuers undertaking valuation for residential mortgage purposes. This guidance also accepts the use of the earlier *RICS residential mortgage valuation specification* contained in UK appendix 10 of the January 2014 (revised April 2015) edition of *RICS Valuation – Professional Standards UK*. Key extracts are included below including additional highlighting to emphasise some sections.

C2.1 Role of the valuer

The valuer's role and remit is specifically defined in (UK VPGA 11.1 paragraph 7) as '... to advise the lender on:

- a the nature of the property and **factors revealed during the inspection that are likely to materially affect its value**
- b the market value (and/or market rent if required), with specified assumptions or special assumptions and
- c **where there are serious cases of disrepair or obvious potential hazards revealed during the inspection that may have a material impact on its value.'**

Note that the detail of this remit may be particularly important when reporting valuation on the subject issue.

C2.2 Inspection

UK VPGA 11.3 details the scope of the inspection for residential mortgage valuation, which covers: 'as much of the exterior and interior of the property as is **readily accessible without undue difficulty**' and should include 'all of the property that is visible when standing at ground level within the boundaries of the site and adjacent public/communal areas, and when standing at the various floor levels'. (UK VPGA11.3 paragraph 1)

Where the property is a flat or maisonette, '... the external inspection will be of the main building within which the flat or maisonette is located'. (UK VPGA 11.3 paragraph 2(h)(i))

The inspection and investigations may reveal various factors that could have a material impact on the value, which can include 'the **apparent general state of, and liability for, repair, form of construction and apparent major defects ... and/or other risks**'. (UK VPGA 11.4 paragraph 1)

C3 Assumptions

In many cases a valuer will have to make certain assumptions, and in some cases particular special assumptions might be appropriate (defined in Red Book Global Standards glossary as an assumption that 'either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date'). The use of assumptions is firstly directed by Red Book Global Standards:

- All assumptions and special assumptions that are to be made in the conduct and reporting of the valuation assignment must be identified and recorded (VPS 1 section 3 paragraph k).

- Where special assumptions are necessary in order to provide the client with the valuation required, these must be expressly agreed and confirmed in writing to the client before the report is issued (VPS 4 section 9).
- Only assumptions and special assumptions that are reasonable and relevant having regard to the purpose for which the valuation assignment is required should be made (VPS 1 section 3 paragraph k).
- Special assumptions may only be made if they can reasonably be regarded as realistic, relevant and valid for the particular circumstances of the valuation (VPS 4 section 9).
- If a client requests a valuation on the basis of a special assumption that the valuer considers to be unrealistic, the instruction should be declined (VPS 4 paragraph 9.3).
- The valuer must clearly distinguish the assumptions or special assumptions that are different from, or additional to, those that would be appropriate in an estimate of market value (VPS 4 paragraph 3.3).

In the context of residential mortgage valuation, UK VPGA 11 states that **'unless limited enquiries reveal otherwise** the following assumptions and special assumptions may be made **without verification** (UK VPGA11.5 paragraph 5):

- All required valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with. (b)
- **No deleterious or hazardous materials have been used in the construction. However, if the limited inspection indicates that there are such materials, this must be reported and further instructions requested.** (d)
- **The property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing,** and good title can be shown. (f)
- **An inspection of those parts that have not been inspected, or a survey inspection, would not reveal material defects or cause the valuer to alter the valuation materially.'** (h)

Where the proposed security is part of a building comprising flats or maisonettes, the following assumptions will also be made, unless instructed to the contrary:

- **'There are no onerous liabilities outstanding.'** (UK VPGA 11.5 paragraph 10c)
- **'There are no substantial defects, or other matters requiring expenditure.'** (UK VPGA 11.5 paragraph 10d)

C4 Reporting

The valuer's broad duty is to prepare a report 'on the basis of the terms of engagement settled and of the information or questions contained in the instructions received'. (UK VPGA 11.6 paragraph 1)

Note that in addition to reporting the value, an important function of the report is for the valuer to identify 'those factors that may have materially impacted value, or may be expected to do so in the future. Where such factors are identified the valuer will, as appropriate, recommend appropriate action.' (UK VPGA 11.6 paragraph 3)

Where the valuer suspects that hidden defects exist that could have a material effect on the value of the property, 'the valuer should recommend more extensive investigation. **It may be appropriate, in exceptional circumstances, to defer making a valuation until the results of the further investigations are known.**' (UK VPGA 11.6 paragraph 4)

'The report should include reference to:

- a the form of construction
- b the existence of any obvious, recent and significant alterations and extensions
- c **any obvious evidence of serious disrepair or potential hazard to the property, and any other matters likely to materially affect the value...**
- d items that are not serious at the date of inspection but could become so if left unattended and
- e other items of disrepair or poor design, or a lack of maintenance, that may adversely affect the structure in the future and lead to a material effect on the value of the security.' (UK VPGA 11.6 paragraph 6)

Note that 'where there is a basic structural defect, such that renovation ceases to be possible or economic, a valuation should not be provided, subject to the lender's more specific reporting requirements.' (UK VPGA 11.6 paragraph 7)

The valuer should also comment on 'any apparent deficiencies in the management and/or maintenance arrangements observed during the inspection that materially affect the value'. (UK VPGA 11.6 paragraph 8a)

Where the valuer does not have 'the necessary expertise to estimate any repair and maintenance costs and their impact on value, specialist advice should be obtained, or the instruction declined.' (UK VPGA 11.6 paragraph 11)

Delivering confidence

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



[rics.org](https://www.rics.org)