Preface to the twelfth edition xviii
Acknowledgements xx
Table of cases xxi
Table of statutes xxviii
Table of statutory instruments xxxi

1 Principles of valuation 1
1. The role of the valuer 1
2. The property market 2
3. A definition of value 2
4. Value and valuation 4
5. Demand, supply and price 5
6. Demand for and supply of landed property 6
7. Landed property as an investment 11
8. The international framework 11
   (a) International Financial Reporting Standards (IFRS) 12
   (b) International Valuation Standards (IVS) 14
   (c) International Ethical Standards (IES) 16
   (d) International Property Measurement Standards (IPMS) 18
   (e) International Construction Measurement Standards (ICMS) 19
   (f) International Land Measurement Standards (ILMS) 20
9. UK valuation process 22
   (a) Instructions 22
   (b) Inspections, investigations and records (VPS 2) 24
   (c) Report 28
   (d) Records 29
10. Automated valuation models (AVMs) 29

2 Valuation approaches and methods 31
1. Introduction 31
2. Comparison 31
3. Principal methods of valuation 32
   (a) The market approach or comparative method 32
   (b) The income approach or investment method 32
3 Property law

1. Land law 37
2. Property rights in general 37
3. Freeholds 38
   (a) Registered and unregistered land 40
   (b) Adverse possession 41
4. Leaseholds 41
   (a) Building leases 43
   (b) Occupation leases 44
   (c) Leases for life 45
5. Licences 45
6. Common law, equity and trusts 46
7. Equitable interests including options 48
8. Co-ownership 48
9. Easements and related rights 49
10. Restrictive covenants 50
11. Commonhold 52
12. Successive interests in property 53
13. Transfers of interests in land and security in land 54
14. England and Wales residential leaseholds 56

4 Planning law

1. The Town and Country Planning Acts 57
   (a) The 1947 Act 57
   (b) Town and Country Planning Act 1990 57
2. The planning system 58
   (a) Planning authorities 58
   (b) The development plan system 58
   (c) Effect of the development plan 59
3. Development management 60
   (a) The Use Classes Order 1987 61
   (b) Part 3, Town and Country Planning (General Permitted Development) (England) Order 2015 (GPDO) – changes of use 64
4. Planning permissions 64
   (a) Development orders and local development orders 64
   (b) Local development orders 66
   (c) Simplified planning zones and enterprise zones 66
   (d) Public authority development 66
   (e) Permission in principle 67
Contents vii

5. Applications for planning permission 67
   (a) Outline planning permission 67
   (b) Applicants and applications 68
   (c) Environmental Impact Assessment and Habitats Regulations
      Assessment 68
   (d) Nationally significant infrastructure projects 70
   (e) Planning fees 70
   (f) Determining planning applications 70
   (g) “Calling in” procedure 71
   (h) Revocation, modification and discontinuance orders 71
6. Effect of planning permission 72
7. Duration of planning permission 72
8. Planning conditions and planning obligations 73
9. The Community Infrastructure Levy (CIL) 74
10. Appeals – section 78 75
    (a) Appeals and overlapping and repeated applications 75
11. Judicial control of planning decisions 76
12. Enforcement of planning control 77
    (a) Enforcement notices 77
    (b) Planning contravention notices 78
    (c) Stop notices 79
    (d) Breach of condition notices 79
    (e) Injunctions 80
    (f) Appeals against enforcement notices 80
    (g) Non-compliance with an enforcement notice 82
13. Amenity and safety 82
    (a) Protection of trees and special buildings 82
    (b) Regulation of advertisement displays
       and caravan sites 84
    (c) Rights to light 85
    (d) Unsightly land and hazardous substances 86

5 The market approach (comparative method) 88
1. Introduction 88
   (a) Location 88
   (b) Physical state 88
   (c) Tenure 89
   (d) Purpose 89
   (e) Time 89
2. Residential property 89
3. Development land 91

6 Market rent 93
1. Introduction 93
2. Rent and net income 93
Contents

3. Economic factors affecting rent 94
   (a) Supply and demand 94
   (b) Demand factors 95
   (c) Supply factors 98
4. Estimation of market rent 101
   (a) Generally 101
   (b) Basis of the rent actually paid 102
   (c) Comparison of rents 103
   (d) Rent and lease terms 105
5. Effect of capital improvements on market rent 106
6. Hierarchy of market evidence 107

7 Outgoings 109
   1. Introduction 109
   2. Overview 109
   3. Repairs 110
      (a) Generally 110
      (b) Immediate repairs 110
      (c) Annual repairs 111
      (d) Conditions of tenancy 112
      (e) Future repairs 113
      (f) Dilapidations 113
   4. Sinking funds 114
   5. Business rates, water services and council taxes 115
   6. Income tax 115
   7. Insurances 116
      (a) Fire insurance 116
      (b) Other insurances 118
   8. Voids 118
   9. Service charges 118
   10. Management 120
   11. Management of investments 120
      (a) Maintenance of capital values 122
      (b) Rents 123
      (c) Outgoings 123
      (d) Reserves 123
   12. Value added tax 124
   13. Outgoings and rent 125
   14. Current issues 125

8 Property yields 126
   1. Introduction 126
      (a) Nominal and actual or effective rates of interest 126
      (b) Timing of payments and yields 127
   2. Principles governing yields from investments 128
3. Yields from landed property investments 131  
   (a) Retail property 132  
   (b) Offices 132  
   (c) Factories, warehouses and distribution depots 133  
   (d) Residential properties 134  
   (e) Ground rents 135  
4. Changes in interest rates 136  

9 Investment mathematics as it applies to property valuation 138  
1. Introduction 138  
2. Amount of £1 (A£1) 139  
3. Present value of £1 (PV£1) 141  
4. Amount of £1 per annum (A£1p.a.) 146  
5. Annual sinking fund (ASF) 148  
6. PV of £1 per annum (PV£1p.a.) or Years' Purchase (YP) 150  
7. The PV£1p.a. dual rate or YP dual rate 153  

10 Income approach or investment method 156  
1. Valuation of freehold interests 156  
   (a) Freehold property let at MR 157  
   (b) Freehold let at below MR (term and reversion) 162  
   (c) Freehold let at below MR (layer method) 166  
   (d) Freehold let at below MR (the deductive approach) 167  
   (e) Freehold let at below MR (discounted cash flow method (DCF)) 170  
   (f) Freehold let at more than MR 171  
2. Analysis of sale prices to find market yields 172  
3. Valuation of leasehold interests 174  
   (a) Valuation of leaseholds using the single rate approach 177  
   (b) Valuation of variable profit rents (term and reversion) 178  
   (c) Valuation of leaseholds using dual rate 179  
4. Marriage value 189  
5. Freehold interest where a building has a terminable life 191  
6. Premiums 193  
7. Surrender and renewal of leases 196  
8. Analysis of leasehold sale prices 201  
9. Traditional valuation techniques and DCF 202  

11 Discounted cash flow 203  
1. Introduction 203  
2. Net present value (NPV) 204  
   (a) The discount rate 205  
   (b) Rate of growth 206  
   (c) Cash flow period 207  
3. Internal rate of return (IRR) 210
Contents

4. Comparison of NPV with IRR approaches 212
5. Application of DCF and investment value (worth) 212

12 The cost approach and residual method 216
1. Introduction 216
2. The cost approach 216
3. The residual method 218
   (a) Proceeds of sale 218
   (b) Costs of sale 219
   (c) Costs of development 219
   (d) Development profits 222
   (e) Surplus for land 222

13 Developments in valuation approaches 227
1. Introduction 227
2. Relationship of rent in arrears and in advance 228
3. Taxation of incomes 230
4. Valuation of freehold interests 234
   (a) Nature and function of yields 234
   (b) Equated yields 234
   (c) Effects of inflation 238
   (d) Valuation of varying incomes 238
5. Leasehold interests 239
   (a) Replacement of capital 240
   (b) Replacement of capital in real terms 243
   (c) ASF at low rates of return 245
   (d) Why use dual rate YP? 245
   (e) Valuation of variable incomes 247
   (f) The effect of tax 249
   (g) The double sinking fund method 249
   (h) Summary 251
6. Discounted cash flow 252
7. Valuing in periods of market instability – valuation certainty 252
8. Valuing sustainability 255
9. Conclusion 258
10. Further reading 258

14 Development properties 259
1. Introduction 259
2. Valuation approach 259
3. Types of development 261
4. Viability statements (studies) 262
5. Factors affecting value 264
6. Residential development schemes 265
Contents

(a) Generally 265
(b) User of land 269
(c) Infrastructure 269
(d) Environmental and other factors 273
7. Commercial development schemes 273
8. Period of development 274
9. Incidental costs 275
10. Site assembly 275
11. Hope value 276
12. Urban sites 277
   (a) New development 277
   (b) Refurbishment 278
13. Ground rents 282
   (a) Residential ground leases 289
   (b) Commercial ground leases 290
   (c) Ground rent 291
   (d) Market value of ground rents 293
14. Financial Viability in Planning 294

15 Residential properties 295
    1. Generally 295
    2. The Rent Acts 297
       (a) Rents under regulated tenancies (1977 Act, Part III) 298
       (b) Security of tenure (1977 Act, Part VII) 299
    3. The Housing Act 1988 – assured and assured shorthold tenancies 299
    4. Schedule 10 to the Local Government Act 1989, the Leasehold
       Reform Act 1967 and the Leasehold Reform, Housing and Urban
       Development Act 1993 (Part I) 300
       (a) Enfranchisement by way of purchase of the freehold 303
       (b) Valuations to determine enfranchisement price – “original
           method” (i.e. lower value properties only) 303
       (c) Market transactions 306
       (d) Valuations under the Housing Act 1974 and
           the Leasehold Reform, Housing and Urban
           Development (LRHUD) Act 1993 307
       (e) Valuations to determine enfranchisement price – “higher
           value method” 308
       (f) Extension of the existing lease (lower value houses) 309
       (g) Landlord’s overriding rights 309
       (h) Retention of management powers 310
       (i) The LRHUD Act 1993 as amended by the Commonhold
           and Leasehold Reform Act 2002 310
    5. Smaller residential properties, HMOs and tenements 311
       (a) General method of valuation 311
       (b) Outgoings 312
Contents

(c) State of repair 313
(d) Clearance areas 314
(e) Duration of income 314

6. Larger residential properties 316
   (a) Generally 316
   (b) Factors affecting value 316
   (c) Methods of valuation 317
   (d) Sales records 319

7. Blocks of flats held as investments 319
   (a) Generally 319
   (b) Gross income 319
   (c) Outgoings 320
   (d) Net income and yield 321

8. Places of worship 323

16 Commercial properties (1): types of property 325
1. Introduction 325
2. Retail premises 327
   (a) Location 327
   (b) Type of premises 328
   (c) Type of tenant 329
   (d) Terms of the lease 330
   (e) Market rent 330
   (f) Market value 333
3. Industrial premises 334
   (a) Introduction 334
   (b) Construction 334
   (c) Market rent and market value 335
4. “High-tech” industrials 337
5. Business and science parks 338
6. Warehouses 338
7. Office properties 341
   (a) Introduction 341
   (b) Market rent 341
   (c) Terms of tenancy 342
   (d) Outgoings 342
   (e) Net income and market value 343
8. Legislation 345

17 Commercial properties (2): Landlord and Tenant Acts and rent reviews 346
1. Introduction 346
2. Landlord and Tenant Act 1927 346
   (a) Landlord and Tenant Act 1927 (Part I) 346
   (b) Landlord and Tenant Act 1927 (Part II) 347
3. Landlord and Tenant Act 1954 (Part II) (as amended by the Regulatory Reform Order 2003) 347
4. Health and Safety at Work, etc. Act 1974 356
5. Rent reviews 356
   (a) Machinery for review 359
   (b) Rent payable 359
6. Valuation consequences 364
   (a) Restricted user 364
   (b) Period between reviews 364
   (c) Analysis of incentives 365
   (d) Comparable evidence 367
   (e) Machinery for settling disputes 367
7. Market value 367
8. Court procedure for the grant of a new tenancy or the termination of a current tenancy 367

18 UK valuation applications
1. Introduction to RICS Global Standards (VPGA 1 & 2) 369
2. Valuations for financial statements 370
3. Depreciated replacement cost (DRC) 371
   (a) Cost-based valuation methods generally 371
   (b) The DRC method of valuation for financial reporting 371
   (c) Types of property involved 372
   (d) The DRC method 372
   (e) Straight line depreciation (SLD, GN 6.9.23) 374
   (f) Reducing balance (GN 6.9.25) 374
   (g) S-curve approach (GN 6.9.26) 375
   (h) Conclusion 375
4. Mortgages and loans 375
   (a) Borrowing against property assets 375
   (b) Nature of a mortgage 376
   (c) The mortgagor’s security 377
   (d) The valuation 378
   (e) Second or subsequent mortgages 381
   (f) Secured lending for commercial property 381
5. Reinstatement cost 381
   (a) Generally 381
   (b) Cost of reinstatement 382
   (c) Effect of under insurance 382
   (d) Public authority requirements 383
   (e) Cost and value 383
   (f) Incidental costs 383
   (g) Value added tax on building costs 383
19 Valuations for rating

Section A: non-domestic properties 384
1. General 384
2. Procedure 385
3. Exemptions and reliefs 387
4. Elements of rateable occupation 388
   (a) Actual occupation 388
   (b) Exclusive occupation 388
   (c) Beneficial occupation 389
   (d) Transience of occupation 389
5. Principles of assessment 389
6. Statutory basis of assessment 391
7. Rating of unoccupied properties 393
8. Methods of assessment 394
   (a) Valuation by reference to rents paid 394
   (b) The contractor's method or test 396
   (c) The receipts and expenditure or profits basis 399
9. Assessment of various types of property 400
   (a) Agricultural properties 400
   (b) Offices 401
   (c) Shops 402
   (d) Factories and warehouses 406
   (e) Cinemas and theatres 408
   (f) Licensed premises 408
   (g) Caravan sites 409
   (h) Garages and service stations 409
   (i) Minerals 409

Section B: domestic properties 410
1. General 410
2. Procedures 410
3. Basis of assessment 411
4. Compilation and maintenance of new lists 412

20 Taxation

Capital Gains Tax 413
1. Taxation of capital gains — capital assets and stock in trade 413
2. Taxation of Chargeable Gains Act (TCGA) 1992 413
   (a) Occasions of charge 413
   (b) Computation of gains 414
   (c) Disposals after 5 April 1988 415
   (d) Disposals before 6 April 1998 416
   (e) Disposals after 6 April 1998 416
   (f) Rates of tax from 23 June 2010 for individuals 416
   (g) Exemptions and reliefs 419
   (h) Losses 422
(i) Part disposals 423
(j) The market value rule on certain disposals 424
(k) Sale of leasehold interests 425
(l) Premiums for leases granted out of freeholds or long leases 426
(m) Premiums for subleases granted out of short leases 427

Inheritance tax 428
1. General 428
2. Taxable transfers 428
3. Basis of assessment 428
4. Rates of tax 429
5. Exemptions and reliefs 429
   (a) General 429
   (b) Potentially exempt transfers 429
   (c) Business assets 430
   (d) Agricultural property 430
   (e) Woodlands 431
6. Valuation 431

Income tax on property 431
1. Schedule A 431
2. Capital allowances 432

Value added tax 432
1. VAT and property 432
2. VAT – the general scheme 433
   (a) Added value 433
   (b) Taxable supplies 434
   (c) Non-taxable supplies 435
3. VAT and the property market 436
   (a) Residential property 436
   (b) Non-residential property 437
4. Option to tax 438
5. Transfer of a going concern 440
6. Value and VAT 440
7. Valuation and VAT 440
8. Special cases 441
   (a) Incentives 441
   (b) Statutory and other compensation 442
   (c) Mixed supplies 442

Stamp duty land tax 443
1. Purchases 443
2. Leases 444

Tax on overseas owners and non-natural persons 444
1. Meaning of “dwelling” 444
2. The annual tax payable 445
Contents

Capital Gains Tax for non-residents 445
Reference 446

21 Principles of the law of compulsory purchase and compensation 447
1. Legal basis of compulsory purchase 447
2. Compulsory purchase procedure 448
3. Compulsory purchase compensation 451

22 Compulsory purchase compensation (1): compensation for land taken 453
1. Introduction 453
2. General principles of compensation 454
3. Market value 457
   (a) Six basic rules of valuation 457
4. Additional rules of assessment 463
5. Development value 468
   (a) Assumptions as to planning permission 468
6. Certificates of appropriate alternative development 471
7. Special compensation provisions for owners of investment property 472
8. Summary of general basis of compensation 472
9. Arbitration of compensation disputes 473
10. Valuation 473
11. Home loss payments 474
12. Basic and occupier’s loss payments 475
13. Interest on compensation 476

23 Compulsory purchase compensation (2): compensation for severance and injurious affection 477
1. General principles 477
2. Compensation where part only of the land is taken 478
   (a) Accommodation works 478
   (b) Apportionment of rent (Compulsory Purchase Act 1965, section 19) 479
3. Setting out a claim 480
   (a) Land taken 480
   (b) Severance and injurious affection 480
   (c) Other incidental injury (disturbance) 483
   (d) Assessment of compensation 484
4. Compensation where no part of the land is taken 484
   (a) Injurious affection under section 10 484
   (b) Compensation for harm from “physical factors” 485
5. “Before and after” method of valuation 487
24 Compulsory purchase compensation (3): compensation for disturbance

1. Disturbance compensation and disturbance payments 492
2. Judicial approach to quantification of disturbance compensation 495
3. Disturbance compensation: items which are typically claimed 496
   (a) Residential premises 496
   (b) Business premises 499
4. Disturbance in relation to development value 511

25 Blight notices

1. Compulsory purchase instigated by land owners: blight notices 514
   (a) Blighted land 514
   (b) Qualifying interests 515
2. Blight notice procedure 516
3. HS2 compensation provisions 518

26 Purchase notices

1. Compulsory purchase instigated by landowners 520
2. Purchase notices 520
   (a) Compensation as in compulsory purchase cases 523
   (b) Revocation, modification and discontinuance orders and other special cases 523

27 Compensation under the Town and Country Planning Acts: revocation, modification and discontinuance orders, etc.

1. Introduction 524
2. Revocation, modification and discontinuance cases 524
3. Revocation and modification orders 525
4. Discontinuance orders 529
5. Tree preservation orders 530
6. Other cases of planning compensation 530
7. Listed buildings and ancient monuments 531

Index 532