
Why don't Estate Agents and Surveyors Agree on Value?

During 2018 there was media coverage alleging surveyors were 'down valuing' and preventing some buyers from obtaining mortgages. Even the BBC covered this in July 2018, saying that there had been a "significant" increase in properties being valued at an amount less than the buyers agreed to pay.

So why do surveyors 'down value'?

Back in the middle of 2018, Emoov's then CEO Russell Quirk was quoted as saying "*down valuations*" are due to surveyors "*simply covering their backs*". This is not true and demonstrates a real lack of understanding about the way surveyors work.

Surveyors provide valuation services across many asset classes and the RICS requires that they work to the highest standards that is underpinned by the mandatory regulatory scheme, Valuer Registration. It is not simply that they are Chartered Surveyors. Now they must also be Registered Valuers.

In addition, the approach they take to a valuation is governed by the RICS Valuation Practice Note, the Red Book. This practice note contains mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations.

For example, the RICS is careful and precise in the definition of Market Value – a term often bandied about when talking about value.

The recognised definition of Market Value is as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Below are the key things that a valuer needs to adhere to in order to comply with both the Regulator and their customer, according to the International Valuation Standards Section 104.

- The estimated amount - this is the most probable price reasonably obtainable on the valuation date. It should be the best price for the seller and the most advantageous one for the buyer. It must exclude special terms or atypical financing or any element that would only be available to a specific owner or buyer.
- The willing buyer – it's important that they're not over eager or determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires.
- The willing seller - the seller should equally not be over eager to nor considered to hold out for any price. The factual circumstances of the seller are in effect ignored by the

definition that puts in place this hypothetical basis.

- After proper marketing - means that it is assumed that the exposure to the market has also been the best possible. There should have been enough time for the asset to be brought to the attention of a sufficient number of potential buyers. Some of this information may not be available to the valuer, but that assumption will be made.

As if this was not complicated enough, valuers also have to work to the guidance produced by individual lender clients. Each lender company produces it's own guidance on how valuers should approach a property when undertaking a valuation on their behalf.

And Red Book valuations are getting more complicated as issues such as cladding on blocks of flats and repair liabilities are emerging. How will this impact on the 'willing purchaser'?

Valuation is not a fag packet activity, rather it is a professional, thought through responsible process and for the most part is conducted as such by both Estate Agents and Surveyors alike – but taking a different approach. If agents were able explain how a surveyors approach to value is different to theirs, and indeed anticipate this when advising their client, might it give clients more faith in the whole process and and create more consistency within the market?

If you would like to develop your own skills and insight into how a RICS Red Book Valuation is conducted and regulated, or indeed if you have ever considered developing your career into the world of residential surveying, then you should consider getting in touch to find out if the Sava Diploma in Residential Surveying and Valuation could be for you. You can find out more about the [Diploma in Residential Surveying and Valuation](#) here.