Schedule 31

Market Value -RICS

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VS 3.2 Market value

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the International Valuation Standards Council (IVSC):

> **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.**

Commentary

1. In applying *market value*, regard must also be had to the conceptual framework set out in paragraphs 31-35 of the IVS Framework, including the requirement that the valuation amount reflects the actual market state and circumstances as of the effective *valuation date.*

2. The basis of *market value* is an internationally recognised definition. It represents the figure that would appear in a hypothetical contract of sale at the *valuation date*. Valuers need to ensure that in all cases the basis is set out clearly in both the instructions and the report.

3. *Market value* ignores any existing mortgage, debenture or other charge over the property.

4. Notwithstanding the disregard of *special value* (see definition in paragraphs 44-47 of the IVS Framework) where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, this element of 'hope value' is reflected in *market value.* Examples of where the hope of additional value being created or obtained in the future may have an impact on the *market value* include:

- the prospect of development where there is no current permission for that development; and
- the prospect of *synergistic value* (see definition in paragraph 48 of the IVS Framework) arising from merger with another property, or interests within the same property, at a future date.

5. GN 2, GN 4 and GN 5 contain guidance on the application of *market value* to the specified types of asset.