MAUNDER TAYLOR

CHARTERED SURVEYORS ESTATE AGENTS MANAGING AGENTS INSURANCE INTERMEDIARIES
1320 High Road, London N20 9HP 020 8446 0011 enquiries@maundertaylor.co.uk maundertaylor.co.uk

VALUATION UNCERTAINTY — DECEMBER 2025

Valuation instructions are almost invariably to value a particular interest in a particular property on a particular date, on the assumption that there is a *'true'* value and an acknowledgement that there is a reasonable (depending on the property circumstances) range of *'non-negligent'* valuations. That range has often been held by the Courts to be between 10%-15% either side of the 'true' value (a matter of fact in the case, not a matter of law).

Let's look at an example of an auction Lot submitted on multiple occasions:

14-16 South Undercliff, Rye, TN31 7HN
Freehold – run down – development potential subject to planning permission – vacant.

Clive Emson auction: sold	July 2022	£162,000
Land Registry completion to Danshe Limited	August 2022	£162,000
Barnard Marcus auction: sold	February 2023	£166,000
McHugh & Co. auction	March 2023	UNSOLD
Savills' auction: sold	April 2023	£120,000
Auction House London	June 2023	WITHDRAWN PRIOR
McHugh & Co. auction	October 2023	WITHDRAWN PRIOR
Savills' auction: sold	June 2024	£162,000
McHugh & Co. auction	December 2024	UNSOLD
Auction House London	February 2025	£90,000
Land Registry Proprietor: ECIM Property Ltd	February 2025	£90,000

Allen –v- Leicester City Council (2013) UKUT 016 (LC)

A view from the Upper Tribunal on the reliability of an auction result.

Issue: compulsory purchase compensation.

45. Mrs Stewart also said that the purchasers of No.32 had admitted to having overpaid at auction. I attach little weight to this evidence which is hearsay but, in any event, it is not suggested that the figure of £120,000 was a maiden bid (which seems unlikely given the guide price of £90,000 to £95,000). An auction is a recognised method of disposal to achieve open market value. Bids are made openly. It differs from an informal or formal tender where prospective purchasers make their offers in confidence and where there is scope for misjudging the market and offering considerably more than the other bidders. In my opinion the auction in September 2006 established the then open market value of No.32.

Please note RICS Common Auction Conditions (edition 4) Paragraph A3.5:

Where there is a reserve PRICE the SELLER may bid (or ask US or another agent to bid on the SELLER's behalf) up to the reserve PRICE but may not make a bid equal to or exceeding the reserve PRICE. YOU accept that it is possible that all bids up to the reserve PRICE are bids made by or on behalf of the SELLER.

Every now and then a valuer is accused of negligence and has to defend a claim. How certain are you of your valuation? If there was any reason for uncertainty, did you say so? How important is the bracket of non-negligent values in the light of Bratt –v- Jones (2025) EWCA Civ 562. (See EG article attached.)

RICS Standard: Comparable Evidence in Real Estate Valuation (October 2019)

Uncertainty generated by a lack of comparable evidence is a common feature of the real estate market. Most valuers recognise this, but many of their clients do not. Such uncertainty is inevitable, and the valuer should not be afraid to report it – indeed Red Book Global Standards states that: 'Valuers should not treat……a statement expressing less confidence in a valuation than usual as an admission of weakness…..it is…..a matter entirely proper for disclosure'. If a client understands that unusual market conditions result in an uncertain valuation it may enable them to make a better-informed business decision. It is for this reason that Red Book Global Standards requires the valuer to 'comment on any material uncertainty in relation to the valuation where it is essential to ensure clarity on the part of the valuation user' (VPS3, Valuation Reports, Section 2.2 (0))

- How have different Courts or Tribunals dealt with valuation uncertainty and have they said anything which can be quoted in a valuation report in support of drawing a client's attention to uncertainty?

- Standard residential or business properties in good condition and without problems: little room for uncertainty.

- Properties with a speculative risk profile, dodgy auction lots, development prospects, limited market appeal, legal/tenure issues and those in poor condition: much room for uncertainty.

Brickfield –v- Ullah (2022) UKUT 025 (LC); dodgy auction lots

Issue: premium payable for a 1993 Act extended lease (16 years unexpired on existing lease). Birdview Ltd bought the short lease interest in the market, with Notice served for a long lease, submitted it to auction with a tempting guide price, sold it for a substantial profit and the buyer then found that the long lease would cost a great deal more than the figure in the Notice.

34. We do not consider that either of the sales, in isolation, is reliable. There was insufficient evidence before the FTT to illuminate the circumstances of either. It is possible that the leasehold interest was snapped up by Birdview at less than market value, despite having been openly on the market for some months. It is equally possible that the respondents overpaid at auction. Given the guide price, it seems unlikely that there were no underbidders, so it is difficult to say by how much. It might have been helpful to the FTT for there to have been evidence from the respondents themselves, or other witnesses of fact. We note, however, that the auction room would probably have been aware of the original s.42 notice suggesting a premium of £49,590, but Brickfield's counter notice at £198,620 post-dated the auction by some months. Were the respondents persuaded to pay a price thinking that the eventual premium would be modest? We just don't know; neither did the FTT.

Blendcrown –v- Church Commissioners (LRA/50/2002): speculative risk

Issue: is there hope value (of future marriage value) to be paid for non-participating flats in an enfranchisement:

76. When calculating marriage value under Paragraph 4(2) of Schedule 6 to the 1993 Act only flats occupied by participating tenants are to be included in the calculation. Hope value is the additional value which would be paid by a hypothetical purchaser of the freehold interest in the expectation that non-participating tenants might seek, and pay for, an extension to their leases at some time in the future…..

77. I would emphasise that hope value is a speculative element of value which does not lend itself to objective assessment. It is essentially a matter of informed opinion. …..Hope value is by its nature speculative, uncertain and incapable of precise assessment. It is the value now of the chance of a future payment.

452 Finchley Road Freehold Ltd –v- 452 Finchley Road LLP (LON/00AC/OCE/2023/0089)

Issue: development value of roof space (if any). FtT view of 'hope value'.

46. Adopting a GDV of £1,100,000 and making the deductions for heads of cost as set out above we arrive at a negative value of minus £4,000, but say £0.

48. We think that there is sufficient 'hope value' that would justify the addition of £20,000 to a premium which would represent the amount that a hypothetical purchaser would pay in respect of the potential of the site for future development either for the proposed or a differently designed scheme possibly on the basis of future change in planning policy or building costs.

2KPG Limited –v- P Hubbard & Ors (LON/00AW/0CE/2024/0093)

Issue: whether the value of the House (6 flats) should include the ability to charge a premium for allowing the wall between 1 Kensington Park Gardens (the adjoining property) and the House to be broken so as to join the buildings.

70. This (valuation calculations) *creates a negative value. There is no rational economic argument for carrying out this work. That is not to say an individual would not still carry out such work for an amenity value. This alternative approach, given the desire of the owner of No 1 to have this breakthrough, would see a payment for the licence to carry out such work. Given the nature of the work, the Tribunal considers a spot figure in the order of £100,000 would be reasonable.*

Sloane Stanley Estate –v- Mundy (2016) UKUT 223 (LC)

Issue: graphs of relative values for leasehold flats with different unexpired terms.

169. Fifthly, the more difficult cases in the future are likely to be those where there is no reliable market transaction concerning the existing lease with rights under the 1993 Act, at or near the valuation date. In such a case, valuers will need to consider adopting more than one approach. One possible method……Another method is……When those methods throw up different figures, it will then be for the good sense of the experienced valuer to determine what figure best reflects the strengths and weaknesses of the two methods which have been used.

Twyman –v- Brookmans Homes Limited (unreported – transcript available)

Issue: claim for trespass and for compensation.

93. Although I was not referred to it by counsel in this case, a case which is often referred to in this context is the summary made by Gabriel Moss QC in 'Tamares (Vincent Square) Ltd v Fairpoint Properties (Vincent Square) Ltd (No. 2) [2007] 1 WLR 2167 at [22]:*…needs to consider whether "the deal feels right". If nothing else, this is a useful reminder that the court, in assessing damages, is looking to do the best it can on the evidence available.*

108. The next step is to assess how much the hypothetical user might pay the hypothetical licensor to make that gain. Again it is largely a matter of impression and to make sure the final figure feels right. In my view, in the present case, Mr Maunder Taylor's figures again require adjustment to take account of the necessary uncertainties and the relative strength of the hypothetical parties' bargaining position. I consider the split should be on 5/12 basis (that is the mid point between 6/12 (Stadium) and 4/12 (Jones v Ruth [2011] EWCA 1495, Patten LJ at [41]). This produces a figure of £50,000 which I consider meets Mr Moss QC's 'feels right' test on such evidence as I have.

Major Pitfalls

The uncertainty in most cases is the speculative element (or risk assessments) where the subject property has problems, or there is a locational problem, or the market for that particular type of property is rapidly changing (often due to economic, political or law changes).
Residual valuations must rank at or near to the top of uncertainties. They involve assessing the future as perceived by the hypothetical parties at the date of valuation. Subsequent negligence claims are often pursued with the benefit of hindsight sometime later and frequently involve:

Predicted –v- hindsight GDVs
Budgeted –v- hindsight actual building costs
Anticipated –v hindsight actual regulatory compliance
Programmed –v- hindsight actual time frames
Assumed –v- hindsight actual competence of project management

Uncle Arthur Advice

1. When carrying out your valuation, bear in mind that any later complaint or negligence claim will be made with the benefit of hindsight. Have you identified material risks which you perceive to be present at the valuation date?

2. If instructed to advise on a possible claim for negligence against another valuer, make sure that you differentiate between what could reasonably have been known at the valuation date compared with what you reasonably know now.

3. It is often appropriate to ask yourself (and may be include a paragraph in your conclusions) about whether the subject property is a low-risk, owner-occupied property which ought to be easily mortgageable through conventional sources or, an occupied investment where the quality of the tenant covenant is also a valuation factor (not just the property itself) or, a speculative dealer's lot with a lot of problems to solve or development work to be undertaken (which might require an inbuilt profit margin or contingency figure) before full value can be achieved.

4. If valuing by reference to comparables, how reliably close are your comparables? Have you obtained enough information about the comparables? And, have you put legible notes on your file about the main adjustments you have made in order to make the comparison?

5. If a residual valuation, do you have quantity surveying or building surveying experience as well as valuation? How reliable are the figures you rely on, which are not within your own personal experience? How do you cover yourself for the uncertainty of those input figures?

6. Whatever assumptions you make, did you include those assumptions in your conditions of engagement? Have you clearly stated those assumptions in the main body of your report?

7. Your client is paying you a fee for an opinion of value on which the client can rely for making consequential decisions which are important to the client. The client does not want to pay a fee for a report which, basically, says: *my figure is subject to considerable uncertainty!* Be careful how you word your statements of uncertainty. Avoid using standard uncertainty clauses.

For illustration I set out below an uncertainty clause found in another valuation:

In conclusion, as at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current reaction to the economic climate means that we are faced with an unprecedented set of circumstances on which to base a judgment. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that macro-economy might have on the real estate market, we recommend that you keep the valuation under frequent review. (Emphasis added)