



COMMERCIAL PROPERTIES COMMITTEE

Practice Note 27

REVALUATION 2005

Valuation of Showhouses

1.0 INTRODUCTION

This practice note applies to the valuation of Showhouses and associated offices found at speculatively built housing developments.

2.0 BASIS OF VALUATION

Showhouses are valued on the comparative basis at a percentage (%) of their estimated open market capital value as at 1 April 2003. The recommended percentage of capital value in this practice note has been derived from the analysis of rental information. An addition to be made for garages converted to offices is based on the rentalisation of the cost of conversion over a period of 5 years reflecting the short life of a typical Showhouse.

3.0 CATEGORIES OF SUBJECT

Showhouses are provided by builders who construct houses speculatively in order to allow prospective purchasers to appreciate the quality, layout and desirability of completed properties. The purchaser is expected to reserve a new property, which will be completed some time in the future on the basis of an inspection of the Showhouse. Showhouses and their associated offices can generally be categorised as follows.

3.1 Furnished Showhouse

Completed dwelling furnished throughout with furniture, carpets, curtains, light fittings and domestic appliances. The furniture and soft furnishings are normally provided by one supplier whose name is displayed. Therefore the furnished Showhouse is not only a vehicle for selling houses but also for advertising furniture and furnishings. Sales transactions are sometimes conducted in a room of the Showhouse when there is no office on site.

3.2 **Unfurnished Showhouse**

A completed dwelling which is unfurnished. The house is shown in the condition that it will be in when handed over to the purchaser, but the developer is either “holding” the subject to permit inspection and is unwilling to proceed with an early sale, or is making use of a completed but unsold property. Often a number of houses may be built of the same type within a scheme and potential purchasers given the opportunity to inspect those that lie empty. Where the builder is merely permitting this type of inspection of empty houses that are genuinely for sale, the subjects remain as dwellings and fall to be entered in the Council Tax Valuation List.

3.3 **Office**

Subjects occupied by the sales representatives and in which proposed house sales and financial matters are discussed. Sales Offices are generally located in converted garages or in modular offices, e.g. portakabins. However, part of the Showhouse itself is often used as an office, e.g. kitchen or bedroom.

3.4 **Showhouse Complex**

On potentially large developments house builders find it advantageous to provide Showhouse complexes of up to 5 or 6 different types of house. Dividing fences are removed and a single fence is built round the complex. Prospective purchasers are encouraged to follow a pre-determined route taking them through each house type and culminating in a sales office.

4.0 **MEASUREMENT**

All four categories of subject should be measured overwalls. No reduction factors should be applied to upper floors. Attic floors should be measured internally but excluding floor areas with a ceiling height of 1.5 m or less.

5.0 **VALUATION**

5.1 **Background**

Consultation has taken place between the SAA and Homes for Scotland, who represent the house building industry in Scotland. Homes for Scotland have endorsed the basis of valuation in this practice note.

5.2 **Capital Value**

Capital Value should reflect the value of the subject if placed on the open market at 1 April 2003. Sale prices for similar subjects at or around this date should be analysed and a suitable capital rate per m² applied to appropriate types of Showhouse, e.g. flat, semi-detached, detached to arrive at an estimated capital value. The above approach is recommended to give a degree of uniformity and comparability in Showhouse NAVs. Care should be taken to ensure the analysed rate includes or excludes a garage to mirror the position with the Showhouse being valued.

The capital rate per m² should be applied to the external area of the Showhouse only. The existence of an office in the attached garage is dealt with below by the addition of a fixed amount.

Alternatively, actual capital values suitably adjusted to 1 April 2003 levels of value should be used.

5.3 **Percentages applied to Capital Value**

To achieve Net Annual Value the following percentage should be applied:-

5.5% to the estimated capital value of the Showhouse.

Where the garage has been converted to an office make the following addition to NAV:-

- (1) £500 (NAV) for a single garage.
- (2) £1,000 (NAV) for a double garage.

5.4 **Location**

No location allowances should be necessary since the capital value will already reflect the value of the Showhouse to the developer.

5.5 **Showhouse Complexes**

<u>Number of Houses in Complex</u>	<u>% Deduction</u>
3-4 Showhouses	5%
5 or more Showhouses	10%

5.6 **Office in structures other than Garages**

Offices in structures other than garages should be valued in comparison to the local office scheme or on the Contractors Basis, but with due regard to the £500/£1000 level of value addition for an office in a garage.