

Revaluation 2010

Commercial Properties Committee

Practice Note 27 Valuation of Showhouses

1.0 Introduction

- 1.1 This Practice Note applies to the valuation of Showhouses and associated offices found at speculatively built housing developments.

2.0 Basis of Valuation

- 2.1 Showhouses are valued on the basis of the Comparative Principle at a percentage (%) of their estimated open market capital value as at 1 April 2008. The recommended percentage of capital value in this Practice Note has been derived from an 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 Rental Analysis

- 3.1 Rental analysis is undertaken in accordance with the SAA Basic Principles Committee Practice Note 1 – (Adjustment of Rents).

4.0 Survey and Measurement

- 4.1 Subjects valued in accordance with this Practice Note should be measured to Gross External Area (G.E.A.). 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 Categories of Subject

- 5.1 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.

5.1.1 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. The furnished Showhouse is therefore not only a vehicle for selling houses but also for advertising furniture and soft furnishings. Sales transactions are often conducted in a converted garage of the Showhouse. When there is no office on site, sales transactions are sometimes conducted in a room of the Showhouse.

5.1.2 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 completed empty houses that are genuinely for sale, the subjects remain as dwellings and may fall to be entered in the Council Tax Valuation List.

5.1.3 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, eg portakabins. However, part of the Showhouse itself is often used as an office, eg kitchen or bedroom.

5.1.4 Showhouse Complex

On larger developments house builders may find it advantageous to provide Showhouse complexes of up to 5 or 6 different types of house, the whole area being fenced off and the grounds landscaped. Flagpoles will often be sited at the front to advertise the presence of the Showhouses. Prospective purchasers are encouraged to follow a pre-determined route taking them through each house type and culminating in the sales office.

6.0 Valuation

6.1 Background

Consultation has taken place between the SAA and Homes for Scotland, who represent the house building industry in Scotland.

6.2 Capital Value

Capital Value should reflect the value of the subject if placed on the open market at 1 April 2008. 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, eg flat, semi-

detached or 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, as appropriate, 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 accompanying garage is dealt with below by the addition of a fixed amount.

Alternatively, actual capital values suitably adjusted to 1 April 2008 levels of value should be used.

6.3 **Percentage applied to Capital Value**

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

6.0% to the estimated capital value of the Showhouse.

6.4 **Addition for Converted Garage**

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

- (1) £750 (NAV) for a single garage.
- (2) £1,250 (NAV) for a double garage.

6.5 **Location**

No allowance should be made for location as this will already be reflected in the capital rate/m² applied.

6.6 **Showhouse Complexes**

Where there is a Showhouse complex an element of quantum may exist. In such circumstances the following deduction from Net Annual Value should be applied.

Number of Houses in Complex	% Deduction
3-4 Showhouses	5%
5 or more Showhouses	10%

6.7 **Office in structures other than Garages**

Offices in structures other than garages should be valued on the basis of local evidence, but with due regard to the £750/£1,250 level of value addition for an office in a garage.