

Revaluation 2023

Commercial Properties Committee

Practice Note 15 Valuation of Show Houses

1.0 Introduction

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

2.0 Basis of Valuation

- 2.1 Show houses are valued on the basis of the comparative principle at a percentage (%) of their estimated open market capital value as at 1 April 2022. 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 sales offices is based on the rentalisation of the cost of conversion reflecting the short life of a typical show house.

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 (GEA). No reduction factors should be applied to upper floors. Attic floors should be measured internally but excluding floor areas with a ceiling height of 1.5m or less.

5.0 Categories of Subject

- 5.1 Show houses 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 sometime in the future on the basis of an inspection of the show house. Show houses and their associated sales offices can generally be categorised as follows:-

5.1.1 Furnished Show House

Completed dwelling furnished throughout with furniture, carpets, curtains, light fittings and domestic appliances. The furniture and soft furnishings may be provided by one supplier whose name is displayed. The furnished show house 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 show house. When there is no sales office on site, sales transactions are sometimes conducted in a room of the show house.

5.1.2 Unfurnished Show House

A completed dwelling which 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 Sales Offices

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 stand-alone modular offices, ranging from high quality structures with expensive fittings to basic portacabins. However, in some instances, part of the show house itself may be used as a sales office, for example, in a kitchen or bedroom.

5.1.4 Show House Complex

On larger developments house builders may find it advantageous to provide show house complexes of several different types of house with the whole area being fenced off and the grounds landscaped. Flag poles will often be sited at the front to advertise the presence of the show houses. 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 Capital Value

Capital Value should reflect the value of the subject if placed on the open market at 1 April 2022. Sale prices for similar subjects at or around this date should be analysed and a suitable rate per m² applied to appropriate types of show house, eg flat, semi-detached or terraced to arrive at an estimated capital value. The above approach is recommended to give a degree of uniformity and comparability in show house NAV's. Care should be taken to ensure the analysed rate includes or excludes a garage, as appropriate, to mirror the position with the show house being valued.

The rate per m² should be applied to the external area of the show house 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 2022 levels of value should be used.

6.2 Percentage applied to Capital Value

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

7% of the estimated capital value of the show house.

6.3 Properties of Significant Value

If a property is deemed to be of significantly greater value than the normal value for that property type in the locality, then it may be appropriate to make an adjustment to the percentage applied to the estimated capital value at 6.2 above. Where such circumstances exist, 6.5% of estimated capital value may be adopted.

6.4 Addition for Converted Garage

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

- (1) £1,200 (NAV) for a single garage.
- (2) £1,700 (NAV) for a double garage.

6.5 Sales 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 £1,200/£1,700 level of value addition for an office in a garage.

6.6 **Location**

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

6.7 **Show House Complexes**

Where there is a show house 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 show houses	5%
5 or more show houses	10%