
VALUATION GUIDELINES 5
Valuation Guidelines for Collective Sales
[Under Land Titles (Strata) Act]

5.1 INTRODUCTION

5.1.1 The purpose of this note is to provide guidance for the valuation for collective sales and the method of distribution of sale proceeds among the owners arising from such sales.

5.2 SALE PROCEDURE

5.2.1 In a collective sale, both the buyer and seller would agree on the selling price. One or both parties may be represented by a marketing agent or Valuer. The selling price may be based on various methods of sale including negotiation although the common method is by way of tender. The basis for the sale price must be supported by a valuation report required for collective sale.

5.3 METHODS OF VALUATION

5.3.1 In arriving at the market value of the development site, the Valuer may use a number of methods of valuation including market comparison method, residual method and income method. The basis of valuation including evidence of comparables, should be described in detail in the valuation report. The valuation is based on the open market value concept.

5.4 METHODS OF DISTRIBUTION

5.4.1 Under the Land Titles (Strata) Act a report is required to be prepared by a Valuer describing the method of distribution of the sale proceeds among the owners.

5.4.2 The methods of distribution of sale proceeds which are more commonly in use include the following:

(a) Based purely on share value

This may be used when the units are of the same or similar strata/floor areas with same or similar share values.

(b) Based purely on strata/floor area

This may be used when the units are of the same or similar strata/floor areas or the unit value rates are similar for various sizes.

(c) Based on a combination of share value and strata/floor area

This may be used where there are wide differences in the share value and/or strata/floor area among the various units.

(d) Based on valuation

This method may be used when the general attributes of the property are to be considered. A valuation is made of a typical unit of each type or category disregarding renovations, facing, floor level, etc.

Alternatively, the valuation of the individual units can be carried out, taking into account differences in unit size, orientation and storey/level, etc. All units in the development are assumed to be in a fair and reasonable state of repair and maintenance. In the case of retail units, the Valuer should also take into consideration the siting of the unit.

It should be noted that the valuation method will involve additional costs.

5.4.3 Besides these methods, there may be other variations or a combination of the above methods. In all cases, the Valuer should justify in his report the recommended approach for the distribution of sale proceeds.

In the event of a disagreement in valuations, the dispute may be referred to Singapore Institute of Surveyors and Valuers (SISV) for final adjudication by the SISV Valuation Review Panel.

5.4.4 It is reasonable to expect that the method of distribution proposed for the majority and minority unit owners may differ. Under such circumstances, the difference may be resolved by both Valuers for the majority and minority owners or the majority and minority owners themselves meeting to discuss their basis for the proposed method of distribution and to reconcile the difference. In the event that the difference cannot be reconciled, the matter will be adjudicated by the Strata Titles Board. It is essential to note that the final test of the proposed method is that the opposing minority owners must not be disadvantaged by the method of distribution and the proposed method is fair and reasonable to all owners.