

**SINGAPORE INSTITUTE OF SURVEYORS AND VALUERS
VALUATION AND GENERAL PRACTICE DIVISION**

GOOD VALUATION PRACTICE GUIDELINES

Benchmarking and the search for best practices have become prevalent since the concept was first introduced in the United States, and pursued in Europe and the Asia-Pacific area. The Valuation Professional Committee of the VGP Division has decided to introduce a Good Valuation Practice Series to guide members to enhance their practice and valuation skills.

Practice guidelines are not standards which have to be complied with, failing which, penalties and punishment may be meted out. We believe that valuation standards are necessary to ensure that members practising the valuation discipline should comply with them in order to maintain consistency and comparability across international boundaries. However, valuation practice guidelines differ from valuation standards in that practice guidelines refer to operational and management issues rather than the technical issues where standards should be complied with.

The setting of good valuation practice guidelines is, however, a great challenge as they deal with the delicate and sometime, fine lines between what constitutes an important benchmark that requires compulsory compliance and that which requires only a judgement call that is best left to the individual valuers to make.

The implementation of standards and good practices is a continuing process which will evolve over time. Therefore, there must be a continuous commitment to wanting to achieve standards and best practices. The series of good practice notes which the VGP Division is introducing hopes to provide guidance on what constitutes the proper procedures to be used in complicated and uncertain valuation situations.

Members are urged to adopt these guidelines and to let the Valuation Professional Committee know of other situations where a guideline may be useful. Valuation Practice Notes will be issued as and when necessary.

President
Valuation and General Practice Division
Singapore Institute of Surveyors and Valuers
8 October 2004

VALUATION PRACTICE NOTE 1

TREATMENT OF CASH AND NON-CASH REBATES

Developers' sales of new projects are an example of sale evidence that can be used in valuation for arriving at the market value of a property. Unlike resale properties, the prices of new properties are often dictated by the developers depending on the state of the market. As part of the marketing strategies, rebates and discounts are sometimes offered for such properties to encourage sales. In order to provide a consistent basis for treating these developer's sales for use as comparables for the purpose of determining market value, the following procedure is suggested:

- a) All known cash rebates and discounts as well as non-cash incentives such as the giving of cars, and furniture vouchers etc should be deducted from the developers' listed selling prices if these benefits are extended to all purchasers of the new project. In other words, when using developer's sales as evidence of market value, the amount of such benefits should be deducted from the purchase prices stated in the sales and purchase agreements.
- b) In some situations where cash rebates and discounts including non-cash incentives are given to only selected purchasers, these benefits may be deducted from the developer's listed selling prices if the reduced prices truly represent the market value of these properties. If not, the developers' selling prices may be adopted as the purchase price.. The valuer would need to use his judgement to ascertain the market conditions.

In order to ensure that the market value of new properties are ascertained based on the selling prices, all practising valuers who are aware of any cash rebates and discounts including non-cash incentives given for new property sales are urged to inform the SISV Services of such benefits so that such items are indicated and recorded in the REALINK 21 sales records.

This practice guide hopes to provide a more consistent approach to arriving at the market values of new properties.

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