

TERMS AND CONDITIONS OF ENGAGEMENT FOR THE VALUATION OF RESIDENTIAL PROPERTY

APPLICABLE TO A PRIVATE CLIENT

Name of Client:

The Client's attention is drawn particularly to the provisions of Clause 4.

Address of the subject property:

1. Definitions:

a) **The Client (or Customer)**

The person/s to whom the Valuation Report is to be addressed.

b) **The Firm**

The Valuation Firm which is contractually responsible for the provision of the valuation service, is: Survantage Ltd which is an RICS regulated firm.

Director; Jessica Hayes Hough (registered RICS valuer, RICS number 0861225)

Registered address; 49 Jenkinson Grove, Armthorpe, Doncaster, DN3 2FH (Telephone: 07944873014, Email: jess@survantage.co.uk)

c) **RICS**

The Royal Institution of Chartered Surveyors

d) **RICS Red Book (Current Edition)**

This publication sets out the professional standards as codified by the RICS under which each Valuation or similar service and the Report are required to be undertaken. The Firm will conform to the latest version of these professional standards and unless stated otherwise.

e) **The Surveyor**

The Surveyor will be an appropriately qualified RICS member and registered under the RICS Valuer Registration Scheme. The Surveyor will be an employee of the Firm or an owner of the firm or an employee or associate of an owner. The Surveyor will have the skill, experience and local knowledge necessary to undertake the instruction, and will be adequately equipped to inspect the property and to produce and sign the Report.

f) **The Report**

The format of the report will follow a template that complies with VPS 3 of the current edition of the Red Book.

g) Market Value (MV) (as prescribed by the RICS):

'The estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

h) Market Rent (MR) if required (as prescribed by the RICS):

'The estimated amount for which an interest in real property should be leased on the *valuation date* between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

This is based on the assumption that the property is let on a six month assured shorthold tenancy.

i) Valuation Approach and Reasoning (as prescribed by the RICS):

The market approach will be used.

'The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.'

This method compares similar property which has changed hands in the open market and makes appropriate adjustment to enable accurate comparison.

However in the event of an investment property, the surveyor may also consider an income approach which takes account of the potential income stream on such property as Houses in Multiple Occupation (depending on the local market).

j) Currency

Monetary amounts shall be reported in Pounds Sterling (GBP/£) unless otherwise agreed in writing.

k) 'In writing'

With regard to terms being agreed in writing, this shall include exchanges of letters and memoranda, electronically traceable and recordable data, such as faxes and e-mails, but it shall exclude text messages on mobile phones.

l) Valuation Date

The date upon which the valuation applies which shall be the date of inspection of the property unless otherwise stated. Where an appraisal to an original valuation is requested, the request must be made in writing within 12 weeks of the original valuation date and in this instance the property will not be inspected and a desktop valuation will be provided. If further instruction is received after 12 weeks post original valuation, re-inspection will be required.

2. Purpose of the Report

- a) The purpose for which the valuation is required shall be to provide an opinion of the value of the Freehold/Leasehold interest in real estate property, as specified by the Client and the Firm in respect of the subject property, the address of which is stated above. The valuation is not to be used for mortgage purposes or any form of lending.

- b) The Firm shall provide to the Client a report setting out the Surveyor's opinion of the value of the relevant interest in the property. The Surveyor responsible for the valuation will be named on the report. Our valuation is provided for your benefit alone and solely for the purpose of the instruction to which it relates. The valuation may not, without the Firm's written consent, be used or relied upon by any third party, even if that third party pays all or part of the Firm's fees, or is permitted to see a copy of our valuation report. If the Firm provides written consent to a third party relying on the valuation, any such third party is deemed to have accepted the terms of our engagement. Neither the whole nor any part of the report or any reference to it may be included in any published document, circular or statement nor published in any way without the Firm's written approval of the form and context in which it may appear.
- c) It is confirmed that the Surveyor has no known interest in the subject property or any other conflict that will prevent the valuation from being undertaken in an objective and unbiased way. If the Surveyor has had a previous involvement with the property or the other parties to this transaction which impacts upon the valuation, this will be disclosed to the Client. The Surveyor chosen to undertake this work has knowledge of this area and the appropriate expertise for the type of valuation required. If the Client has provided additional information or advised the Surveyor to contact a third party for further information, it is implicit that the Firm may safely rely on that information.
- d) Unless otherwise specifically agreed in writing, the value advised by the Surveyor shall be in accordance with one or more of the following Valuation bases, as defined above:

Market Value (MV)

Market Rent (MR)

- e) The firm does not provide **Insurance Valuations** for reinstatement purposes or similar.

3. **Inspection and Reporting Assumptions and Limitations**

- a) When reporting, we shall make reasonable assumptions, for example, we shall assume the purchaser is buying the freehold interest (or leasehold if buying a flat). If leasehold, our valuation will be based upon an unexpired lease term of at least 85 years and on an assumption that the ground rent is nominal and non reviewable. It also assumes that there are no event charges within the lease for such items as extensions to the property. If these assumptions are incorrect then please discuss this with the surveyor at the time of instruction.
- b) The Surveyor shall, unless otherwise expressly agreed, rely upon information provided to him/her by the Client or the Client's legal or other professional advisers relating to tenure, tenancies and other relevant matters. It is the responsibility of the Client to ensure this information is accurate and to advise the Surveyor if it is not.
- c) It is stressed that the Client has requested the Firm to provide a Valuation only service. The valuation will be conducted in person and the Surveyor will have regard to the apparent state of repair and condition of the property but will be under no duty to carry out a structural survey of the property nor to inspect woodwork or other parts of the structure which are covered, unexposed or inaccessible and will not undertake the testing of electrical, heating or other services. Furthermore, he/she will be entitled to assume that an inspection of such areas would not reveal defects of sufficient magnitude to require him/her to make a material adjustment to his/her valuation.

This report must not be confused with the more thorough Level 2 (Homebuyer) or Level 3 (Building) Survey. Where an appraisal has been instructed to provide a further extension to an initial valuation this will be conducted via a desktop analysis and the property will not be

re-inspected. Further valuations following the initial inspection and subsequent appraisal will require re-inspection thereafter.

- d) In the course of his/her report, the Surveyor will draw attention to communal aspects of flats and will comment upon shared driveways etc, but only to the extent where these may have an effect upon value.

e) **External Panels**

Many modern commercial buildings, new and existing residential tower blocks have been constructed/refurbished with composite external panels which sandwich insulating material between inner and outer plastic-coated aluminium/steel sheeting. Some of these panels have been shown to increase the risk of fire spreading whilst giving off toxic black smoke and there are concerns around the outer sheeting. Similar panels containing polyurethane type products (PUR and PIR) sometimes do not perform well either.

Because of the health risk to fire-fighters, some insurers state that these structures are more vulnerable to serious damage. Consequently, some insurance underwriters require high insurance premiums. A high insurance premium, or an insurer's requirement to make alterations or improvements will impact on the value of the property. In any event, if the cladding is not found to be of a suitable fire-retardant grade then it is likely that large scale remedial works will be required. In all cases we would recommend that the type of cladding used in the construction/refurbishment be tested and confirmed. No loan should be advanced until testing has been satisfactorily completed in accordance with Ministry of Housing, Communities and Local Government Guidance.

For the block to be suitable for lending, proof must be obtained from the landlord that Building Regulation and testing requirements have been met. This proof can be obtained pre or post inspection, but it is essential that your legal advisors make the relevant enquiries with the freeholder/landlord prior to making a commitment to purchase or remortgage.

f) **Boundaries, grounds and outbuildings relating to normal domestic gardens:**

- i. Whilst the inspection will include such boundaries, grounds and permanent outbuildings, it will not include constructions or equipment with a specific leisure purpose including, without limit, swimming pools or tennis courts.
- ii. The surveyor will include the immediate gardens that go with the property, but the inspection specifically excludes any additional land such as pasture or amenity land and the client is recommended to seek separate advice in respect of this additional land to ascertain (among other things) the extent and condition of boundaries, the presence of any invasive species, quality of the land, possible land contamination, flood risk or any other liabilities in respect of river bank maintenance, culverts and ditches and any other specific concerns, to the client's satisfaction.

For the avoidance of doubt, the valuation figure will include the full extent of the title. This will assume that no material issues exist on those parts of the grounds not inspected.

g) In making the report, the following assumptions will be made:

- i. the ground conditions are not affected by the existence of noxious substances, landfill or mineral extraction, or other forms of contamination;
- ii. no high alumina cement concrete or calcium chloride additive or other potentially deleterious material was used in the construction of the property or has since been incorporated;

- iii. the property is not vulnerable to radon gas pollution;
- iv. the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown;
- v. the property and its value are unaffected by any matters which would be revealed by local or environmental searches, and replies to the usual enquiries, or by any statutory notice, and that neither the property, nor its condition, nor its use, nor its intended use, is or will be unlawful;
- vi. the inspection of those parts which have not been inspected would neither reveal material defects nor cause the Surveyor to alter the valuation materially;
- vii. unless otherwise stated, roads, sewers and services outside the curtilage of the property are the responsibility of the Local Authority or other statutory body. It is further assumed, unless otherwise stated, that all services, roads etc, are available under normal terms;
- viii. the property is being sold with vacant possession and, unless otherwise stated, for owner occupation;
- ix. that further investigation into Planning Permission, Building Regulation, hazardous materials, onerous restrictions etc, will not reveal anything sufficiently adverse as to materially affect the value;
- x. any other assumptions will be clearly stated in the report, however, the Surveyor shall be under no duty to verify these assumptions.

h) **Sustainability**

- i. If we have not been provided, or cannot obtain, an up to date EPC rating for this property our valuation will be based on the assumption that the subject property will meet the minimum requirements laid down by legislation and that there will be no adverse impact on value and marketability. It is advisable to obtain an expert's opinion to advise whether an EPC should be commissioned and if the building is likely to meet with the legislative requirements.
 - ii. If the EPC certificate that has been provided indicates that the subject property will fall within the acceptable energy performance range for the purposes of the Energy Act 2011, the method of assessment may have changed since the EPC certificate was issued. Although the legislation is not expected to be reviewed again until 2020, it is advisable to obtain an expert's opinion on whether the building would still comply with the minimum standard if the building were re-certified under the current methodology.
 - iii. If the EPC certificate that has been provided indicates that this property does not meet the minimum acceptable energy performance standard for the purposes of the Act, unless the property qualifies as exempt, capital expenditure may be required to upgrade the property to an acceptable EPC rating standard. Failure to do this may result in it being unlawful to rent the property, with an associated impact on marketability and value. It is therefore advisable to obtain an expert's opinion on the status of the property. Our valuation will be based on the assumption that the property is not exempt and will reflect the fact that improvement will be required in order to bring the property up to the minimum acceptable energy performance standard.
- i) **NB: Asbestos and other hazardous materials:** The construction of property, especially during the 20th Century and particularly the finishes used, may have contained hazardous

materials; these are impossible to detect without specific tests and these are beyond the scope of this report. There is a strong possibility that property built or modernised during this period may contain asbestos in one or more of its components or fittings. The use of asbestos has been extremely diverse, from acting as an insulant in boilers to being added to decorative finishes to improve the binding. It is frequently unexposed and as it was used as an additive to products such as cement-based guttering and insulation and roofing sheeting, its presence can only be confirmed by testing. It is beyond the scope of this inspection to test for asbestos. Should there be any particular concerns about these matters a specialist should be engaged to undertake appropriate tests. Asbestos becomes a particular health hazard when its fibres are released into the air. Therefore it should not be disturbed, sanded ready for decorating, drilled, cut etc and should only be removed by experts.

4. **Limitation of Liability**

- a) The Client hereby accepts that any claim for losses arising in connection with any matter under the Terms of Engagement must be brought against the Firm, irrespective of whether such claim is made in respect of alleged breach of contract, or breach of duty of care, or in respect of any alleged tortuous act or omission.
- b) None of the Firm's employees, partners, affiliates or consultants individually has a contract with the Client or owes the Client or the prospective purchaser or any other party a duty of care or personal responsibility. The Client therefore agrees not to bring any claim against any such individuals personally in connection with the services provided. Whilst the Firm's employees are protected by this clause under the Contracts (Rights of Third Parties) Act 1999, it is agreed between the Client and the Firm that these Terms and Conditions (including this clause) may be varied by mutual consent at any time, without the need for the Firm to seek leave or permission from its employees. To the extent that any part of this notification is a restriction of liability within the meaning of Section 1 of the Unfair Contract Terms Act 1977, it does not apply to death or personal injury resulting from negligence.
- c) The Royal Institution of Chartered Surveyors (RICS) recommends the use of liability caps to members to manage the risk in valuation and survey work. The Company's aggregate liability arising out of or in connection with this service, whether arising from negligence, breach of contract, or any cause whatsoever, shall in no event exceed 15% of the Market Value of The Subject Property on the date of inspection, or the purchase price in relation to the Report, or £25,000 (whichever is the lesser). We will not be responsible for the first £2,000 of any claim. This clause shall not exclude liability for death or personal injury caused by our negligence.
- d) The Client hereby accepts that any claim for losses arising in connection with any matter under the Terms of Engagement must be brought against the Firm, irrespective of whether such claim is made in respect of alleged breach of contract, or breach of duty of care, or in respect of any alleged tortuous act or omission.
- e) Furthermore, the Client accepts that any claim for such losses must be notified to the Firm within six years of the date of the valuation.
- e) These Terms of Engagement do not include any warranties, conditions and other terms except as stated herein and as required by law. The valuation figure(s) will be provided after diligent consideration and research but property values are subject to fluctuation and the valuation process is inexact and thus the Surveyor's opinion is subject to a degree of tolerance depending on the property and the availability of comparable evidence: they are not provided as some form of guarantee of value.
- f) Where loss is suffered by the Client for which the Firm and a third party or any other party are jointly responsible, any recoverable loss by the Client from the Firm will be proportionate to the Firm's relative contribution to the loss suffered.

- g) Where the Client is composed of more than one entity, then the Client's liability will be joint and several with such other entity or entities.
- h) Nothing in these conditions shall limit or exclude the Firm's liability for:
 - i. Death or personal injury caused by its negligence, or the negligence of its employees, agents or subcontractors;
 - ii. Fraud or fraudulent misrepresentation; or
 - iii. Breach of the terms implied by Section 2 of the Supply of Goods and Services Act 1982 (Title and Quiet Possession).

5. General Terms

- a) In the event of one of the Terms and Conditions herein being held to be unenforceable, the remainder of the contract is not affected.
 - b) The Client shall pay the Firm in respect of the said professional advice a fee to be agreed between the Client and the Firm.
 - c) If the Client has agreed to accept reimbursement of the fee paid, or the Firm's fee has not been settled within three months of the date of the invoice, then it is agreed that the Client has placed no reliance on the report and thus the Client or any permitted assignees will not be entitled to pursue any action for alleged negligence, breach of contract or breach of duty. This does not limit the Firm's entitlement to the agreed fee.
 - d) If the Client has any dissatisfaction with the service, the Firm has a complaints procedure in accordance with the requirements of the RICS. A copy of this will be provided on request.
 - e) The RICS may, as part of its Regulatory function, check the report for compliance with the current version of the RICS Red Book.
 - f) Failure to follow the requirements set down by these conditions will invalidate the report and the valuation.
 - g) This contract for the provision of this valuation service is subject to English law. Any dispute in relation to this contract, or any aspect of the valuation, shall be subject to the exclusive jurisdiction of the Courts of England and Wales, and shall be determined by the application of English law, regardless of who initiates proceedings in relation to the valuation.
 - h) **Referral Fees:** The firm may have or may intend to make payment in respect of the instruction, either individually or as part of a third-party commercial relationship.
 - i) **Data Protection:** The Firm takes its responsibility under the General Data Protection Regulation seriously at the highest management level and throughout the organisation. Our privacy policy details how we collect, use, maintain and disclose personal data.
 - j) The report will be made available in either hard copy or electronic format, depending on the client's instructions.
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