FACILITIES MANAGEMENT BRIEFING NOTE

Understanding the RICS Red Book

This note explains what the RICS Valuation – Global Standards (the "Red Book") is, why our property valuation reports are structured the way they are, and what FM teams should know when supporting a valuation instruction. It uses the general structure of a typical Red Book compliant valuation report as a reference, without repeating any confidential figures, tenant details, or site-specific terms from a particular instruction.

1. What the Red Book Is

The Red Book is published by the Royal Institution of Chartered Surveyors (RICS) and is formally titled 'RICS Valuation – Global Standards'. It incorporates the International Valuation Standards (IVS) and adds RICS-specific mandatory rules on top. Any RICS member giving a written opinion of value is bound by it – there are no exemptions once a figure counts as a valuation.

It is not a formula for calculating a number. It is a governance framework: it tells a valuer what independence and competency they must have, what they must disclose, what they must investigate (and what they are entitled to simply assume), and how they must present their conclusion. The actual arithmetic – comparable evidence, income capitalisation, discounted cash flow – sits underneath it, but the valuer's professional judgement decides which method fits the asset and the evidence available.

2. Why FM Should Be Involved in the Valuation Process

Valuation is too often treated as an arm's-length exercise that happens between finance and an external valuer once or twice a year, with FM brought in only to answer a data request. That treatment wastes the most operationally grounded input the process has, and it disconnects the valuation from the one internal process it should be informing directly: the capital and operating budget cycle.

FM holds the facts the valuation depends on

Facilities and asset management teams are usually the ones who hold much of the information a valuer relies on: tenancy schedules, service charge and condition records, EPCs, capital expenditure plans, and reports from specialist contractors (HVAC, fire safety, structural). A valuer who receives this information second-hand, late, or out of date has no choice but to fall back on a standard assumption instead – and a standard assumption is rarely as favourable as the true position. Involving FM early means:

- The valuer works from current, accurate information rather than a generic assumption, which protects against the valuation understating the asset's position.
- FM can see, and where necessary challenge, which statements in a draft report are the valuer's own assumption versus a verified fact – before the report is finalised, not after.
- Instructions run to time and are not re-issued or delayed because information had to be chased midway through.

The valuation as a budget planning input

A Red Book valuation does not just produce a headline figure. It embeds a set of specific assumed capital costs – a plant replacement, a Cat A or Cat B fit-out, a reception refurbishment, a reletting cost – as deductions against gross value, together with a SWOT that sets out what else would protect or improve the asset's position. Those figures are the valuer's independent, evidence-based estimate of what the market expects to be spent, and by when, for the asset to hold or improve its value. That makes the valuation one of the most useful inputs available for capital and operating budget planning, not a document to file away once received.

In practice, this means every annual or multi-year budget round should be reconciled against the most recent valuation, in both directions:

- Where the valuer has already assumed a cost (a plant upgrade, a refurbishment, a fit-out) as a deduction from value, FM should confirm that cost is actually provided for in the capital budget, at a comparable figure and on a comparable timescale – an assumption the valuer has priced in but the budget hasn't funded is a value shortfall waiting to be discovered at the next valuation.
- Where FM is proposing spend that the valuation did not flag, the business case should show what value it is expected to protect or unlock, using the same logic (rent, yield, void, or compliance) that the valuer would apply.
- The valuation date is a natural checkpoint for the budget cycle: using it as a trigger to review the asset business plan keeps the two processes in step, rather than running on separate calendars that only meet by coincidence.

A two-way benefit

Aligning FM with the valuation process pays off in both directions. FM gains an independent, third-party justification for capital and operating budget requests – a valuer's stated assumption carries more weight with finance and the board than an internal opinion on its own. The valuer, in turn, receives more current and complete information, which supports a more accurate and defensible figure – something that matters directly when the valuation is being relied on for lending or financial reporting purposes.

3. The Anatomy of a Red Book Report

A compliant report follows a broadly consistent structure, regardless of the property. The list below reflects that structure, using generic language rather than the specifics of any one instruction.

Terms of engagement and purpose

Every instruction starts with a letter of engagement setting out who the client is, what the property and interest being valued are, the purpose of the valuation (e.g. internal purposes, secured lending, financial reporting), the valuation date, and the fee basis. The purpose drives everything that follows – it determines the correct basis of value and the level of detail required.

Status of valuer and conflicts of interest

The report names the individual signatories, confirms they are Registered Valuers under the RICS Valuer Registration Scheme, and confirms compliance with PS 2 (the mandatory standard covering competency, objectivity and ethics). Any prior involvement with the property or client – for example, if the same firm also

provides property management services, or has valued the asset before – must be disclosed, along with an explanation of why the valuer still considers themselves able to give an unbiased opinion.

Inspection

The report states who inspected the property and when, and whether a re-inspection was carried out for this specific instruction. If no re-inspection occurred, the valuer records an assumption that nothing material has changed since the last visit – which is why flagging any physical changes to FM's attention (refurbishment, damage, vacant floors) matters.

Basis of valuation

The report states the formal basis being used – most commonly Market Value, Market Rent, Fair Value (the IFRS 13 / accounting definition), Investment Value, or Existing Use Value. These are precise, defined terms under IVS and Red Book, not loose descriptions, and the correct one depends on the stated purpose.

Extent of investigations and assumptions

This is one of the most important sections for FM to understand. Valuers rely heavily on information supplied by the client or their advisers – tenancy schedules, floor areas, condition information, cost estimates for planned works – and are explicit that they have not independently verified it. They also make a long list of standard assumptions unless told otherwise: that services are functioning, that the property complies with planning and building regulations, that there is no contamination, that title is good and unencumbered, and so on. If any of that turns out to be wrong, the valuer reserves the right to revise their opinion.

Condition, environmental matters and EPCs

Valuers are not building surveyors or environmental specialists. Their comments on condition are based on observation during inspection, not testing, and their environmental and flooding commentary is based on third-party sources such as the Environment Agency rather than site investigation. EPC ratings are recorded because they affect both compliance (Minimum Energy Efficiency Standards) and market perception, and any planned works to improve a building's rating or sustainability credentials are typically reflected as a cost deduction in the valuation.

Disclosures

In line with PS 2, the report discloses how long the signing valuers have acted for the client, any other fee-earning relationship between the firm and the client (for example, a property management appointment held alongside the valuation instruction), and confirms that fee income from that client is not so large a share of the firm's total income that it could compromise independence.

The valuation opinion and methodology

The stated figure is presented as an independent professional opinion as at a specific date, not a guarantee of the price achievable in the market – the report is explicit that other valuers might reach a different conclusion. Where relevant, the report explains the reasoning behind the chosen approach: for example, whether an investment method or a discounted cash flow was used, why an owner-occupier sale scenario was or wasn’t adopted, and what capitalisation or discount rate was applied and why.

Reporting and SWOT

Reports typically end with a short property summary and a SWOT-style commentary (strengths, weaknesses, opportunities, threats) that flags matters relevant to future asset management – outstanding capital works, lease events approaching, or market risks. Of everything in the report, this is usually the section of most direct, everyday use to FM and asset management teams – see Section 4 below for why it deserves close attention rather than a quick read-through.

Reliance, confidentiality and disclosure

Red Book reports are addressed to a specific recipient for a specific purpose. They are not to be relied upon by third parties, republished, or referenced in any other document without the valuer's prior written consent – consent that is usually conditional on the new recipient signing a non-reliance or reliance letter, and may attract an additional fee. This is why valuation reports circulate on a strict need-to-know basis internally, and why this note deliberately does not repeat any figures, tenant names, or site-specific terms from a particular report.

4. SWOT: A Roadmap for Improving Asset Value

It is easy to treat the SWOT at the end of a valuation report as background colour. It isn't. It is the one part of the report where the valuer steps back from stating an opinion of value and instead explains, in plain terms, what is holding value back and what would move it forward. Read properly, it is the closest thing a Red Book report gives to an asset business plan – and it is written by someone with no incentive to inflate it, since the valuer's job is to be right, not optimistic.

Strengths and Weaknesses describe where the asset sits relative to the market right now – its competitive position. **Opportunities** are the section's most valuable output: specific, often actionable items that a valuer believes would improve income, reduce risk, or remove a value discount if acted on. **Threats** capture external risks that FM and asset management can't fix directly but should monitor and plan around.

From observation to action plan

The table below illustrates, in generic terms, how each type of SWOT observation typically translates into a concrete action and a specific lever on value. The actual items in any given report will be specific to that asset – this is a pattern to recognise, not a checklist to copy.

Category	Illustrative observation	Typical FM / AM action	Value lever it addresses
Weakness	Reception, common parts or end-of-trip facilities perceived as below current market expectation	Refurbish entrance, reception and end-of-trip facilities	Supports the achievable market rent tone and shortens re-letting voids
Weakness	Ageing or inefficient M&E / HVAC plant	Plan phased plant replacement or a decarbonisation upgrade	Protects EPC / MEES compliance and removes an obsolescence discount from the valuation
Opportunity	A lease break or expiry approaching	Engage the tenant early on renewal, re-gear or a planned refurbishment	Reduces void and rent-free assumptions and can extend WAULT

Category	Illustrative observation	Typical FM / AM action	Value lever it addresses
Opportunity	Under-let or vacant space	Deliver a Cat A / Cat B fit-out to current occupier specification	Lets faster and closer to top-of-market rent
Threat	Wider market, interest-rate or economic volatility	Monitor market movements and stress-test the asset business plan	Informs the timing of refinancing or disposal, rather than reacting after the fact

Turning it into a tracked plan

The value of the SWOT is lost if it is only read once, at the time the valuation is received. FM and asset management should convert the Opportunities (and any Weaknesses that can be remedied) into a tracked action plan: one line per item, with an owner, an estimated cost, a target date, and the value driver it addresses. That plan should then feed directly into the annual capital expenditure and asset management budgeting cycle, rather than sitting inside a PDF that only gets reopened at the next valuation date.

It is also worth revisiting the plan's progress explicitly at the next valuation instruction, and telling the incoming valuer what has been done. A valuer who can see that a flagged opportunity has been actioned – a refurbishment completed, a lease renewed, a plant upgrade delivered – can reflect that in the updated opinion; one who isn't told will simply repeat the same observation.

Why this can move the number, not just the narrative

Addressing the items in a SWOT is not purely a qualitative or reputational exercise – each lever in the table above corresponds to something a valuer would otherwise build into the arithmetic of the valuation as a discount or a deduction. Fixing a weakness in the reception can lift the achievable market rent across a whole building. Renewing a lease ahead of expiry can shorten or remove an assumed void and rent-free period. Delivering a flagged capital project removes it as a cost deduction from the valuation going forward. In other words, the SWOT is where a Red Book report tells FM and asset management, in advance, exactly which actions the next valuation is likely to reward.

5. Key Terms Worth Knowing

Market Value: the estimated amount for which an asset should exchange between a willing buyer and willing seller, after proper marketing, with both parties acting knowledgeably and without compulsion.

Market Rent: the same concept applied to a lease – the rent at which a property should let on the valuation date on appropriate terms.

Fair Value: the IFRS 13 accounting definition used for financial reporting purposes; in most practical cases it aligns closely with Market Value.

Special Assumption: an assumption that either differs from the facts as they actually exist at the valuation date, or that a typical market participant would not make – used to model a hypothetical scenario (for example, valuing ‘as if’ a planning permission had already been granted).

WAULT: Weighted Average Unexpired Lease Term – a measure of the average remaining length of the leases in a building, weighted by rent, used as a shorthand for income security.

Equivalent yield / Initial yield: measures of the return an investor is assumed to require or receive, used to convert income into a capital value under the investment method.

6. Practical Checklist for FM

- Keep tenancy schedules, floor areas, condition surveys and specialist reports (HVAC, fire, EWS1, asbestos) current and ready to hand to valuers on request – this is exactly the information a Red Book instruction relies on.
- Flag any physical or occupational changes since the last inspection or valuation date promptly, since valuers explicitly assume nothing material has changed unless told otherwise.
- Confirm or correct any assumptions in a draft report that fall within FM's own knowledge – particularly around condition, services, and planned capital works and their cost.
- Treat valuation reports as confidential and restricted to their stated addressee and purpose; do not forward, quote from, or attach them to other documents without checking whether consent from the valuer is required.
- When commissioning a new valuation, agree the purpose clearly up front (financing, accounts, internal review, etc.), since this determines the basis of value and the scope of the report.
- Log every Opportunity and remediable Weakness from the SWOT into a tracked asset action plan with an owner, cost and target date, and report progress on it back to the valuer at the next instruction.

This note is a general explainer of RICS Valuation – Global Standards and does not reproduce or rely on any confidential figures, tenant information, or site-specific terms from any particular valuation report.