Book reviews

Valuation and Sale of Residential Property (3rd edition)

David Mackmin

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David Mackmin is Professor of Property Studies at Sheffield Hallam University. In the third edition of this book, the author has revised and updated his valuable guide for practitioners and students involved in the discipline of residential valuations and sales.

The book includes sections on the determinants of value (including prescient comments about the requirement of loans to underpin property value) and the effect of physical factors on value. The alternative methods of valuation are explained and discussed, as are the common range of reports and valuations. There is a section, reflecting the growth within the market over recent times, on investing in residential property. Sections of the book deal with the Estate Agency and its obligations and duties, dealing with agency and sales requirements, auctions and the sale of new homes.

The book starts with an admission that the residential market is imperfect. While the American appraiser may consider the interplay that affects human behaviour (social ideals, economic activities, government activity and physical and environmental forces), each of these elements contain many influencing components. The residential property market is dynamic (as the past year has emphasised) and for a valuer to be advised of the changes he or she needs to be active in the market. The residential valuer, however, is usually more interested in price than those forces at work in the marketplace.

Because minor variations between what may appear to be similar properties may have a significant affect on value, knowledge of individual properties is required if one is to identify acceptable units of comparison. Written at the time of rising house prices, the author reflects on the increased demand to acquire property on a buy-to-let basis, supported for most investors by the perception that the residential sector is a safe place for capital. Professor Mackmin drew attention to the housing market being closely connected with the availability of credit, stating that ‘effective desire can only be translated to effective demand through the availability of credit’.

Market value forms the basis of valuation. In appraising a building, the relationship between condition and value is discussed, alongside those other influences and determinants that go to creating a valuation.

The core of the valuation part of the book was the description, in a clear and economic way, of the four main methods that are used: comparative, investment, residual and cost approach. When discussing the comparative method, the author refers to the need for valuers to maintain contact with the market, not only through their own past valuations, through experience of sales, but also through observations of Land Registry recorded sales. This internet sales information does require interpretation because the sales information on condition or accommodation may be lagging behind current market sales

and trends. All information obtained has to be adjusted for the time differences, variations in location, condition and accommodation, and for changes in the market. To use a comparable with confidence, the valuer will have to have full knowledge of the property and the circumstances of the sale. While we practice in a time of a surfeit of information, that does not always equate to knowledge.

In his chapter, considering investing in residential property, Professor Mackmin accepts that 'investment in property is similar to many other types of investment'. In an earlier part of the book, he noted that many who entered the market did so for the benefit of the capital appreciation of the property, with the intention that the income should cover the outgoings and cost of any loan. He recognises that residential property requires intensive management and that it is common for an allowance of 10–15 per cent of the rent (plus VAT) to be deducted from the income. In order to use an investor's approach, the valuer has to consider the risk to the income — of nonpayment, voids, inflation and any cost of maintenance. Of critical importance is the view taken on the demand for such a property because most will be let on short-term tenancies whose income does not have the level of security commonly achieved with the letting of a commercial property on a longer term. With the growth in buy to let, and the debate as to the appropriate methodology for valuation, the contribution of this book is of help to the profession.

This third edition is a valuable contribution in terms of both guidance and understanding for the tasks faces by the residential property valuer.

Malcolm Hollis
Chartered Surveyor and Building Pathologist