



Covid-19 Crisis – Valuation Update

Our last joint statement on 26 May announced the lifting of the Material Uncertainty Clause (MUC) for most valuations prepared on the basis of Existing Use Value for Social Housing (EUV-SH), in accordance with RICS guidance. To recap, that lifting applied to:

“All types of rented social housing or leased shared ownership, owned by housing associations and valued on the basis of Existing Use Value for Social Housing (EUV-SH) only, and therefore assuming that all homes remain within the regulated, Registered Provider sector (but excluding social housing owned by local authorities where valued for HRA purposes under government guidance).”

We are pleased to announce that, with effect from today, 17 July 2020, we are also lifting the MUC for all valuations in the social housing sector reported on the basis of Market Value, subject to existing tenancies (MV-T); and are doing so throughout the UK.

This is in line with a decision announced by RICS today that reporting material valuation uncertainty may no longer be appropriate for:

C3 and C4* residential property and land (including sui generis Houses in Multiple Occupation with more than 6 residents) in England, excluding only those cases with asset and/or locality-specific market issues that merit a declaration of material valuation uncertainty, at the discretion of the valuer.

Use Class C3 refers to dwellinghouses occupied by single households, or up to six people living together as a single household including where they are receiving care. Use Class C4 covers houses in multiple occupation (HMOs) occupied by between three and six unrelated people with shared amenities. Because RICS is being very specific in its guidance, the full detail, taken from their statement and the relevant planning legislation, appears as a footnote below.

This decision by RICS removes the need for the MUC for the vast majority of residential valuations, including those of owner-occupied homes for mortgage or transactional purposes, and of market rented homes. Given the role played by Market Values assuming vacant possession in our valuations of social housing on the basis of MV-T, we consider that this removes the need for the clause in our reports. However, as RICS makes clear above, it remains open to individual valuers to deploy the clause in exceptional circumstances, if they consider it necessary in relation to the particular asset or assets being valued and in the light of local market conditions.

The RICS announcement refers specifically to property and land in England. This is because the restrictions affecting housing markets in Scotland, Wales and Northern Ireland are being lifted at different rates by the devolved Governments and those markets are therefore, in RICS's words, *“not yet as mature in terms of post-C19 lockdown”*. However, RICS does give valuers latitude to lift the clause in those markets where valuers feel able to do so. We are comfortable, in relation to tenanted social housing valued on the basis of MV-T, that the criteria for the lifting of the clause are met, including in particular sufficient liquidity in the lending markets.

If you have any queries, please do not hesitate to contact either of us or your usual contact.

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Savills & JLL
17 July 2020

Footnote – Relevant Residential Use Classes

C3 Dwellinghouses

- C3 (a) - use by a single person or a family (a couple whether married or not, a person related to one another with members of the family of one of the couple to be treated as members of the family of the other), an employer and certain domestic employees (such as an au pair, nanny, nurse, governess, servant, chauffeur, gardener, secretary and personal assistant), a carer and the person receiving the care and a foster parent and foster child.
- C3 (b) - up to six people living together as a single household and receiving care e.g. supported housing schemes such as those for people with learning disabilities or mental health problems.
- C3 (c) - for groups of people (up to six) living together as a single household. This allows for those groupings that do not fall within the C4 HMO definition, but which fell within the previous C3 use class, to be provided for i.e. a small religious community may fall into this section as could a homeowner who is living with a lodger.

C4 Houses in multiple occupation

- Small shared houses occupied by between three and six unrelated individuals, as their only or main residence, who share basic amenities such as a kitchen or bathroom.