Abstract

Valuation is drafted in terms of expectations and thus, reflects the quality of the property, and the amount of information available in the market. Values can be difficult to assess due to the heterogeneity of property. An area of particular vulnerability in the valuation profession is the different opinions of value that two or more valuers may assign to the same property at any one point in time. This is known as the valuation variance and its implications are far reaching. In particular, the courts have adopted the margin of error concept as a means of establishing whether a valuer has been negligent.

This dissertation examines the valuation variation of different types of private residential properties in Singapore and its possible implications for the valuers by conducting a survey comprising of 12 properties comprising of 5 condominiums, 5 terrace-houses, 1 semi-detached house and 1 bungalow. Details and pictures of the 12 properties and its comparables are provided in the survey. 30 valuers from 3 consultancy firms are required to give the Open Market Value of each of the subject property as of 24/10/2001. It concludes that the average variation of all types of private residential properties does exceed the maximum permissible margin allowable in courts. Generally, condominiums have the lowest variation, followed by terrace-houses, semi-detached houses and lastly bungalows. Applying margin of error principle, the implications of valuation variation on professional negligence are discussed. It is found that only 10.3% of the valuers have all their valuations falling within the maximum permissible margin of ±20%.

Keywords: property valuation, valuation variation, negligence, margin of error.