

# Press Release 2023



## RICS ISSUE PRACTICE INFORMATION PAPER

Hot on the heels of the updated Red Book UK Valuation and Guidance Standards, the Royal Institution of Chartered Surveyors (RICS) have launched a new 'DCF hub'. So far, this includes the Practice Information for using Discounted Cash Flow (DCF). This has come about following consultation on the valuation industry in 2022 in response to calls for greater consideration and appropriate use of explicit DCF methods for valuing investment properties.

Traditional market valuation methods rely primarily on transactional evidence from comparable properties using rent and a capitalisation rate or yield. A DCF approach can more explicitly factor in future changes to cashflow such as rental growth, occupation levels and expenditure. For example, it could factor in a future refurbishment both in terms of enhanced rental income, void and cost. In essence it could provide a more accurate opinion of value, including significantly more inputs, although comparison with the market which is largely based on traditional or implicit methods can be more difficult and may constitute a departure from market value to an investment value with special assumptions. The use of DCF is not mandatory by the RICS but is informative for those scenarios where its use would be appropriate.

Tim Richardson, RICS registered valuer at FHP Property Consultants comments:

*"This is the latest in a series of updates following the recommendations made by Peter Pereira Gray in the Valuation Review and the RICS Standards and Regulation Board consultation aimed at strengthening guidance, transparency and quality within the valuation arena. These recognise that the world of valuation does not stand still and that markets and methods of valuation evolve".*

FHP Property Consultants undertake valuations for a range of purposes including accounts, pension fund, taxation, insurance, loan security, probate and charity disposals. Such formal valuations are carried out by RICS registered valuers. If you are considering updating valuations of your property assets then please do get in touch.

For further information please contact Tim Richardson BSc MRICS at FHP Property Consultants 01332 317277 or email [timr@fhp.co.uk](mailto:timr@fhp.co.uk).

ENDS  
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