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## **CIRCULAR 9/2015**

**To : ALL REGISTERED VALUERS AND PROBATIONARY VALUERS**

**Date : 2 December 2015**

Dear Sir/Madam

### **UPHOLDING VALUATION PRINCIPLES**

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The Board is concerned to receive a letter from the Department of Director General of Lands and Mines (JKPTG) on the confusion that the members of the profession have created in giving advice for compensation purposes. Under Section 12 of the Land Acquisition Act 1960, the Land Administrator may obtain a written opinion on the value of the scheduled lands from a valuer prior to making an award under section 14. The Land Administrator normally will receive two valuation reports i.e. one from valuers representing the aggrieved landowners and another from valuers representing the acquiring authority, which sometimes shows a large difference in value to the point that it becomes absurd and unacceptable.

Having investigated the issue raised, the Board discovered that the practice of double counting is rampant, the principles of comparability is ignored and the proposed potential use is not backed by the highest and best use principles. Members of the profession are compelled to uphold their integrity and professionalism in discharging their duties.

To avoid future confusion, the Board requires that registrants comply with the following guidelines:

**i) Comparables**

- a) Valuers are to gather adequate recent sales transaction of land with similar characteristics in the locality. The value trend must be first established. Any outlier must be discarded. An exception to this would be properties that are transacted in a national market e.g. estate lands, hotels, golf courses, marinas and the like where the market boundary is on a national basis.

- b) Adjustments on the comparables are to be made on the dissimilarities.
- c) In making the adjustments, the sales must first be adjusted to the current market situation.
- d) The value conclusion must not be derived based on averaging of values.

ii) **Prevent Double Counting**

a) **Agriculture Land**

Valuers should refrain from adding to the land value, value of trees, future loss of income and cost of upkeep of the smallholding. Such act tantamounts to double counting. The rationale being in an agriculture land transaction, the money paid reflects the value of land, trees, future produce and upkeep of the land. The purchaser does not pay separately for the items mentioned. The land value reflects the cultivation on the land, the produce and the upkeep.

b) **Buildings**

In valuing buildings, valuers should not separate the building from the building services. It was found that it becomes a common practice to put a value of the building as if with complete building services and in addition add the value of the building services. For example a house is valued as a house complete with building services and then add the value of septic tanks, water tanks, electrical services and other services to the value of the building.

c) **Development land**

Valuers valuing on a redevelopment basis should not add the value of the existing buildings. Doing so is tantamounts to double counting. An exception would be for an acquisition whereby a Certificate of Urgency under Section 19 has been issued. However, the valuer must deduct the value of the building from the value of the land if it is valued on a redevelopment basis when reporting the land value component.

iii) **Potential Use**

Any claim of potential use must be backed by the highest and best use test. This must also be backed by planning evidence, i.e. having regard to the specific land use as indicated in the local authority development plans.

iv) **Illegal Buildings**

If it is clearly established that the buildings on the acquired portion are illegal by virtue of para 1(3A)(a) and (b) of the First Schedule, Land Acquisition Act 1960 (as amended), such buildings should not be valued for compensation purposes.

Although these are basic valuation principles, the rampant practice of valuers not adhering to the basic principles have caused the Board to think otherwise.

Every registered valuer or appraiser shall maintain the high standard of his profession and at all times comply with every standards, directive, circulars, guidelines and decisions of the Board, failing which you may be called to answer to the Disciplinary Board of the Board of Valuers, Appraisers and Estate Agent.

  
Yours faithfully

**MAHALETCHUMI**

Registrar

LEMBAGA PENILAI, PENTAKSIR DAN  
EJEN HARTA TANAH MALAYSIA

RM/circular/ad