COMPARATIVE STUDY ON VALUATION OF G+20 RESIDENTIAL BUILDING USING DIFFERENT METHODS OF VALUATION: A REVIEW

[1]Mohd Yaqoob, [2]Anwar Ahmad, [3]Sarthak Singh Rajput

[1] Student of M.tech in Construction management, [2]Associate professor, [3]Assistant professor

[1] Civil Engineering Department

[1]Integral University, Lucknow, U.P, India

Abstract: Valuation is the technique of estimating or determining the fair price or value of a property such as a building, a factory, and other engineering structures of different types, land etc. The present value of a property is determined by valuation. The present value of the property may be assured by its selling price, income or rent. The value of property depends on its structure, life maintenance, location, bank interest, legal control, etc. The value also depends on supply on demand and the basis for which valuation is needs.

The total value of the property is depending on locality of the building, Frontage of building, Age of the building and the Appearance of the building. The market rate of property is totally varied from the government rate. This study helps to bank to know the actual condition value of building and simplify the bank finance amount to owner of the property. The valuation of property helps to both owner of the property and the bank to know the actual rate of the property at present time. The Age of building plays important role in the valuation of commercial buildings.

Keywords: Residential Building , Technical Condition Assessment, Depreciation method of valuation, Residential building rent, Market value, Valuation, Building, Value, Bank finance.

I. INTRODUCTION

Valuation is the technique of estimating the fair price or value of a property such as other category of structure, land, etc. The current value of property may be decided by its selling price, income or rent. The value of property based on its structure, life, maintenance, location, quality of material, present day cost of material, height of building, height of plinth, thickness of wall, roof, door and window, location of building etc.

II. METHODS OF VALUATION –

2.1.1Rental method of valuation –In this method, the net income by method of rent is found out by deliberation all outgoings (taxes, repair, sink fund, loss rent, miscellaneous) from the gross rent. This processor is applicable only when the rent is known. A acceptable rate of interest as prevailing in the market is assumed and years purchase is calculated. The net income multiplied by Y.P gives the capitalized value or valuation of the property.

Value of property = net income x year's purchase

2.1.2 Direct comparison with the capital value - This method may be acquire when the rental value is not available from the property concerned, but there are confirmation of sale price of properties as a whole. In such cases the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

2.1.3 Valuation based on profit- This method of valuation is acceptable for building like hotels, cinemas, theatres, etc. For which the capitalized value based on the profit in such cases the net annual income is worked out after subtract from the gross income all possible working expenses, outgoings, interest on the capital invested etc. The net profit is multiplied by Y.P to get the capitalized value.

Value of property = net profit x year's purchase

2.1.4 Valuation based on cost-In this processor the actual cost incurred in constructing the building or in organize the property is taken as basis to finding the value of property in such cases necessary depreciation should be applicable and the points of obsolescence should also be considered.

2.1.5 Development method of valuation- This process of valuation is used for the properties which are in the backward stage or partly developed and party undeveloped stage, in a large place of land is required to be divided into plots after providing for roads, parks etc. this method of valuation is to be adopted. In such cases, the possible selling price of the divided plots, the area required for roads, parks, etc, other expenditure for development should be known.

2.1.6 Depreciation method of valuation-Based on this method of valuation the building should be divided into four parts- (1) walls, (2) Roofs, (3) Floors,(4) Doors and windows. The cost of each part should be worked out on the current day rates by detailed measurement. Depreciation is depending on life of each item.

III. LITERATURE REVIEW

Abhishek Golchha [20] (2016) - The aim of this study is to identify the market value of building for bank finance. This study helps to bank to find the actual condition of building and identify the bank finance amount to owner of the property. The valuation of property helps to both owner of the property and the bank to find the actual rate of the property. Valuation can be defined as the process of estimating value. Valuation is art requiring judgment and forecast. if the building becomes old it has to be certified and concerned authority will examine the building on the basis of its condition and deprecation will be provided. For valuation of multi storied building, the use of the above presented significant valuation technique could help the financial institute, bank and valuer for the calculation of market value.

TanujParmar (2018) [6] - Valuation is the technique of determining the value of a property such as commercial, residential agricultural land and industrial. Value is determined on basis of its selling price and rent or income. The purpose of this paper is to introduce people with general field practice of valuation of real estate property.

O.A. Olatunji (2009) - The construction industry is widely acknowledged as unique and conservative. Building Information Modeling (BIM) systems have the potential to change in current practices and to automatic the measurement of aggregate from construction drawings. However, there are fears that these developments could threaten the viability of the quantity surveying profession. This study explores the relationship between BIM structure and the roles of quantity surveyors in the construction industry.

Shabniya V (2016) - There are many factors -Gross floor area, total time, geographic condition, type of foundation, total cost of foundation, change in material, market condition, no. of storey, quality of work. In this study forty two factors are recognize as affecting the construction cost estimation from previous .

George Forch[4] (2015) -Valuation method The first sub-process of project objectives and need, which form the basis for identifying and quantifying the main project-specific parameters. The sec-on sub-method is where the actual valuation takes place within the framework of the valuation model. Outcome of this paper describes a system for valuing property developments that gives sustainable features.

Nick French [7] (2013) -Provides a brief overview of the methods that used in real estate valuation with particular importance on the valuation of specialized property. Aimed that the underlying requirement is to calculate market value and that the role of the value is to choose the method that is the best model to achieve this objective. Terminate that a value must work with the identified techniques and, in the case of specialized property, these processors are that go back to finding value from first principles by identifying the value of the property to the business.

Maria Trojanek[3] (2010)- The income approach is mainly applied in estimating market value of properties, which earn or might earn income. The approach may also turn useful in the process of estimating the non-market value of a property (e.g. mortgage lending value). Estimating market value with the application of the subject approach means estimating the market value of the right to receive infinite income flows.

Sanjay sahgal[10] (2009) -In this paper, we evaluate optional price multiples for equity valuation purposes in the Indian context. We create price forecasts based on each multiple by replace the historical prices on various value drivers. We use two forecast evaluation bases, namely root mean squared error and Thiele's inequality coefficient. We identified that price–to-earnings provide the leading price forecast compared to the other three price multiples, price-to-book value, price to cash flow and price to sales. We also built-up price forecasts based on pair wise combinations of these price multiples.

Giles Atkinson[18] (2018) -This paper presents an evaluation of the use of environmental valuation– techniques to assign monetary values to environmental impacts of policies and projects, especially non market impacts – in U.K. policy. First, we identify a number of trends that have characterized U.K.

Niel Crosby (2015) -The paper addresses these drawback by examining the calculative practice of property valuation. The way that valuations are performed influence their results and, therefore, the operation of the property market. The paper traces the evolving affect of finance capital on the valuation of commercial property in the UK by constructing historiography of investment

valuation since 1960. Traditional proceed to valuation have been increasingly confront by those derived from financial economics. However, the former remains the ruling method for undertaking market valuation.

EwaKhucharaska[17] (2013) -Property valuation is characterized by unreliability, understood not only as uncertainty of a single valuation, but also as a discrepancy between multiple valuations of the same property carried out at the same time and for the same purpose. A valuation is only estimate, the outcome of which depends on the assumptions accepted by the value. Such assumptions may account for the potential of a property in a complex market environment in different ways.

Ann Colborn[16] (2012)-The relationship between a property's trading potential and the tenant's ability to pay rent is the footing of one of the five recognized methods of valuation: the profits (or accounts) method. This paper discusses the elementary concept behind the methodology and investigates the circumstances under which surveyors and other professionals currently use profits within their valuations. It seeks to find a commonality in these methods of approach and balance the theory with the practice

Bello IK (2015) -Valuation has been considered as an important tool for decision making in property transaction all over the world. This action requires that the valuers are expected to give reliable and consistent opinion of values. Regrettably, this does not occur often in the estimation of depreciation in cost valuation in Nigeria. Aim of this paper is to evaluate the appropriateness of the depreciation in the cost method of valuation with a view to providing better information for the stakeholders in the built environment. Stratified sampling technique was acceptable in selecting firms within the districts of the study area.

Mohammad Abdullah (2015)-The principal aims of this paper are; (1) to identified the rate of depreciation for certified green and conventional purpose- built office (PBO) and; (2) to assess the relationship between building categories and green building classifications toward affecting the rental depreciation of PBO buildings. Using cross sectional survey of twenty-seven buildings in Golden Triangle area of Kuala Lumpur, the data collected were examine using Frequency and Descriptive statistics to establish the rate of depreciation for green and conventional PBO Prof.

Pankaj B Bhanghel (2016) -Valuation is the technique of calculating or determining the fair price or value of a property as a building, a factory, other engineering structures of different types, land etc. The present value of a property is determined by valuation. The current value of the property may be decided by its selling price, or income or rent it may fetch. The value of property depends on its structure, life maintenance, location, bank interest, legal control, etc.

Stephen Bartke[1] (2015) -This paper inquiries about the economic role of valuers in real estate markets. First, the value is understood as middleman counteracting information unreliability on product quality of real estate. An additional constraint is constituted by information imbalace between valuer and contractor. Drawing on New Institutional Economics, we discuss how the valuation professional with regularizations develop globally as the superior institutional response to this cascade of information imperfections.

Lilia Mukhlirynia[2] (2016) -We use a survey approach to learn about valuation professionals' choices and application of valuation techniques in practice. The survey design allows us to control for respondent's professional subgroup (e.g., consulting), education, experience, and valuation aimed characteristics. We find support for the "sociological hypothesis" that profession matters more than education; different professions have different valuation cultures.

OxanaSnagberg[8] (2015)-This article assigns with the easement valuation. The increased level of real estate with easement identification has cause the reason of appraising such real estate. The article introduces the definition of and easement, all its properties and categories, because a real understanding of all easement liking leads to better valuation. The fundamentals principles of easement valuation focused on steps of easement valuation are also described in this article

Frank And Jonathan[9] (2008)-The value of real estate or property is come at through a number of methods , the incomer investment method, the cost, residual, market collation and the profit methods. The choice of a method depends on the aimed and basis of valuation as well as the data or information available to the valuer**.** The aims for which valuations may be undertaken include sale/purchases, insurance, rating, compensation, mortgage, auction, accounting among others.

Stockholm (2010)- The first two papers in this dissertation discuss a fairly recently developed research field, Space Syntax, and how the findings in this field may be used to understand spatial economic patterns such as geographic distribution of market rents. Both papers use standard econometric methods to investigate the relationship between rents and the so called integration value developed within Space Syntax.

Mohammad Rizvi Mohammad Husain (2014) - The purpose of the paper is to investigate the impact of landscape design on house prices and values in residential development especially in urban areas. The paper employed quantitative approaches which include i) a questionnaire survey; and ii) an observation. This empirical study is basis on the findings of case studies conducted in many residential areas in Klang Valley.

DoriszAnd Talas (2010)-This paper is a theoretical analysis of the often used valuation methods with the help of which the value of a firm or its fairness is calculated. Many experts (including AswathDamodaran, Grouching Zhang and CA HozefaNatalwala)

give the methods. The basic models are basis on discounted cash flows. Main method uses the free cash flow for valuation, but there some newer methods that reveal and correct the weaknesses of the traditional models.

KehnidleAdekunle (2014) -Real estate is a different asset whose valuation is critical to its management and development. Its coherence lies in the fact that in most economies, unlike the stock market, there is absence of active communication between sellers and buyers as in the normal market to find price, hence most property portfolio decisions are based on subjective valuation rather than price.

Onyejiyaka Joseph (2015) -By Definition, the cost method also known as the Depreciated Replacement Cost (DRC) method of valuation is a method of finding the value of a property or an asset by reference to the cost of restore the property or asset as new, and then making allowance for depreciation to take care of age, wear and tear and other forms of obsolescence (Ifediora, 1993).

Monika Gwozdz(2017)-This focus is not casual, as the paper sets out to prove that the subsoil load bearing capacity, directly inferred from the local geotechnical properties with mining exploitation, considerably affects the market value of this type of real estate. Showing in this elaborate analysis and calculations, are part of the ongoing development works which aimed at suggesting a new technique and procedures for estimating the value of the land belonging to the third category geotechnical.

John Macfarlane (2003)- Most Australian States apply mass appraisal methods to evaluate residential land and/or property values for use in determining local government rates and for the probable imposition of land taxes on residential property. The sheer scale of the number of valuations required and the need for regular valuations to assure that relativities are maintained, especially in rapidly moving metropolitan markets, has meant that individual valuations are simply not feasible.

JunainahMohammad (2015) -This paper inspects the perception of government values in Malaysia regarding the current practice of heritage valuation. This stalk from the fact that heritage property gives towards the economic development of a country. As such, an effective method of valuation should be in practice.

MichaleMurle (2007)-In order to approaches to an assessment of the market value in Germany use is to be made to the approximately method of valuation, the capitalized value method of valuation, the summation method of valuation or a number of these methods. In special cases also not standardized methods are put into practice.

AndrezSkarzynaski (2006) - In the paper the residual method one of the methods used for property valuation by mixed approach is presented. The paper accommodates the description of the most often used applications of the residual method and two examples of the practical usage of this method. The first example relates to the valuation of a family house being construct for the purpose of obtaining a mortgage loan to complete construction work.

Nayana Tom (2015)-The present construction practices demand a great effort to balance the factors such as money, time and quality. Differentiate with other industries it seemed that construction industry remains the toughest one to deal with. It is classify that certain modern techniques can be easily accepted to the project for balance the factors above said. Value engineering is an systematic tool among them for fostering the construction quality with an aim of low cost and high services.

IV. CONCLUSION-

This research work results into the identification of procedure involved for the valuation of properties. According the research purpose studied brief explanation of methods used for valuation is described. Procedure which is described in this study is general method which is used by most of the valuers. Work order for valuation is categorized based on this different method of valuation. Outcome of this study is that every work is designed and accomplish as per valuer's personal opinion and experience so same work may be done by several tasks. Lack of Standardization in execution of work is observed in this study. Procedure described in this study is sufficient for the complete understanding of valuation work.

V. ACKNOWLEDGMENT

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