

# Valuation of Residential and Commercial Building-Case Study

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## Abstract

Valuation is the technique of estimating or determining the fair price or value of a property such as a building, a factory, other engineering structures of various types, land etc. The present value of a property is determined by valuation. The present 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. .

## I. INTRODUCTION

Valuation is the technique of estimating or determining the fair price or value of a property such as a building, a factory, other engineering structures of various types, land etc. The present value of a property is determined by valuation. The present 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. The value also depends on supply on demand and the purpose for which valuation is required.

### A. Concept of the Valuation

1. The property valuation process has been carried out manually since the profession was introduced in this country very long time ago.
2. This might be one of the reasons why the profession has been criticized of producing poor quality valuation.
3. A valuation is said to be of poor quality when it is inaccurate, inconsistent, inefficient, illogical, unconvincing, unacceptable and unreliable.

### B. Purpose of Valuation

#### 1. Buying or Selling Property

When it is required to buy or sell a property, its valuation is required.

#### 2. Taxation

To assess the tax of a property, its valuation is required.

Taxes may be municipal tax, wealth tax, Property tax etc, and all the taxes are fixed on the valuation of the property.

#### 3. Rent Function

In order to determine the rent of a property, valuation is required. Rent is usually fixed on the

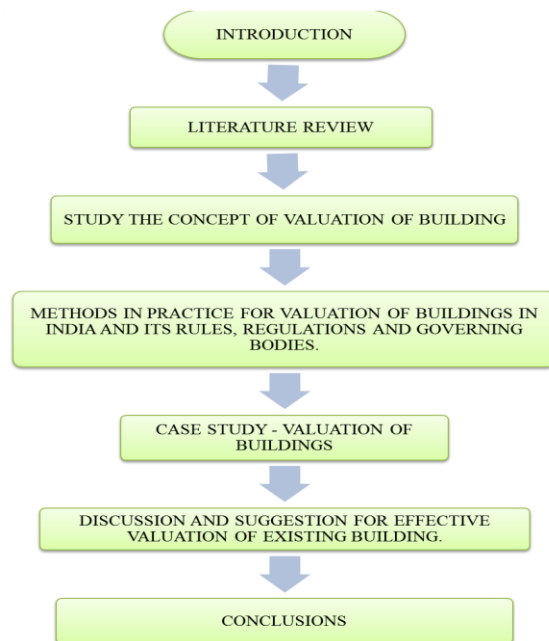
certain percentage of the amount of valuation which is 6% to 10% of valuation.

## 4. Security of loans or Mortgage

The purpose of valuation to be undertaken by banks and housing finance institutions is to ascertain the value of the property for

1. The purpose of ascertaining the amount to be given as a loan

2. The purpose of periodically ascertaining the value of the property that has been mortgaged, whether it is increasing or decreasing over the mortgage period.



Flow Chart of Project

## II. LITERATURE REVIEW

Investigation in Valuation of building is a vast topic having and huge research going on several aspects of this topic. Various authors have different contribution in their own respective method or technique. It becomes intense need to learn and understand the views of various authors from various parts to give our own contribution on this topic. Purpose of this chapter in this report is to highlight the work done on Investigation in Valuation of commercial building and give some terms which will be useful further in this report.

**A. Balasubramanian 2015**

The author done valuation of SSM Institute of Engineering & Technology building in Didigul District, Tamilnadu. The valuation done just after complete the construction of the building and it's a Gents hostel building. Author investigate necessary information required for valuation. The author is studied each and every item of work and done the valuation separately each and every item. [1]

**III. STUDY THE CONCEPT OF VALUATION**

This chapter deals with the study the concept of valuation, basically the valuation of building. It includes basic terminologies, definitions, classification of valuation. Purpose of this chapter is to obtain and understand the knowledge of valuation and to apply various terminologies in the next coming chapters. This chapter also study the various types of values such as base value ,market value etc.

**A. Need/Purpose of Valuation**

1. The purpose of ascertaining the amount to be given as a loan
2. The purpose of periodically ascertaining the value of the property that has been mortgaged, whether it is increasing or decreasing over the mortgage period
3. For the purpose of realizing the value of nonperforming assets ( NPAs )

**B. Various types of value**

1. **Market Value:** It is defined as the sum the property will fetch if it is sold in the open market.
2. **Guideline Value:** It is the value of the land which is recorded in the Register of Registrar's Office and used for the purpose of determining the Stamp Duty at the time of Registration of the Documents.
3. **Book Value:** It shows the original investment of a Company on its assets, including properties and machinery less depreciation for the period passed.
4. **Salvage Value:** Value of Machinery realised on sales when its useful span of life is over but still it has not become useless.
5. **Scrap Value:** It is also called as Junk Value or Breakup Value of Demolition Value. It will represent the value of old materials in a building less cost of demolition.

**IV. CASE STUDY**

**A. Property detail**

- Location of property- Survey Number/Gat No : **Survey Number 466/2+3**
- Block /Plot: **Plot No.9**
- Taluka: **Meharun Shiwar, Tal. Jalgaon**
- Types of Property: **RCC Structure.**

**Table No. 4.1 Valuation of residential building first details**

Descript ion	Area	Unit Rate Market Value	Estimated Value (- Depreciation )	Govt. Guide line Rate	Guide line value
Land	<b>143.34 6 Sqm</b>	<b>Rs. 14,000/-</b>	<b>Rs. 20,06,900/-</b>	<b>Rs. 7,600 /-</b>	<b>Rs.10,89, 430/-</b>
Building	-	-	-	-	-
GF	<b>65.43 Sqm</b>	<b>Rs. 15,000/-</b>	<b>Rs. 9,13,600/-</b>	<b>Rs. 23,53 0/-</b>	<b>Rs. 14,33,100/ -</b>
FF	<b>65.43 Sqm</b>	<b>Rs. 15,000/-</b>	<b>Rs. 9,13,600/-</b>	<b>Rs. 23,53 0/-</b>	<b>Rs. 14,33,100/ -</b>
Ameniti es			<b>Rs. 83,000/-</b>		
Total Value			<b>Rs.39,17,50 0.00</b>		<b>Rs. 39,55,630/</b>
State the source for arriving at the market value			<b>Well Developed &amp; Good locality</b>		

**B. Value of the property (If it is a flat)**

1. Undivided share of the land (If applicable): **Nil**
2. Built up area of the flat : **Nil**
3. Adopted unit composite Rate : **Nil**

**V. CONCLUSIONS**

This study aims to investigate Valuation of Residential and Commercial building by conducting a case study on the basis of this study the conclusions are drawn below;

1. 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.
2. The market rate of property is totally differing from the government rate.
3. The Age of building plays important role in the valuation of building.
4. In the Reckoner rate manual the government rate of construction is very high as compare to the market rate of construction, but in opposite case the government rate of the land is very low as compare to market rate of land.

5. The value of the building is also depending on the development of surrounding area.

#### **ACKNOWLEDGEMENT**

This achievement would be worthless if it was not for the timely help and guidance of well wishers. I know an acknowledgement is not enough to scale their help and wishes, yet I take this opportunity to express our gratitude to every element without which the Project work would not have shaped.

I am also thankful to our Central library, Departmental library and all other staff members of Civil Engineering

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