Plinth Area Method forValuation of Commercial & Residential Property of Nashik City

Ms. Harshada G. Rayate
Student,
Dept. of Information Technology
Govt. Polytechnic, Nasik (M.H.), India

Ms. Sanvi D. Rahane
Student,
Dept. of Information Technology
Govt. Polytechnic, Nasik (M.H.), India

Ms. Tejaswini B. More
Student,
Dept. of Information Technology
Govt. Polytechnic, Nasik (M.H.), India

Ms. Divya D. More
Student,
Dept. of Information Technology
Govt. Polytechnic, Nasik (M.H.), India

Abstract: ***The valuation models developed for financial assets are applicable for real assets as well. Real estate investments comprise the most significant component of real asset investments. The valuation is a process that determines the economic value of a real estate investments. This study has reviewed the concept of valuation for the building and the specific nature and challenges for valuer, engineer and surveyor to calculate the market value of the building. Property valuation helps an organization or an individual know the worth of the property. The fair price of a land, factory, or a building can be estimated through the valuation of a property. For any property it is an investment knowing the actual value of your property which is beneficial for you from various aspects. Whether you want to sale the property, purchase any property or want to keep it on rent. The value of your investment property should be known to you. Therefore to know the property valuation which is must for bank loan purpose and also in this study, simultaneously two types of buildings knowledge will be obtained. In this research the guidelines given by government of Maharashtra are studied and to simplify the valuation purpose for bank and to calculate the market value of the building for bank loan for which valuation is needed, and the given time place and market conditions prevailing on the date as which valuation is required.***

Keywords: Valuation, Plinth Area, Property, Market Value, Structure, Building, Rate.

I. INTRODUCTION

Valuation of building or property is the method of calculating the present marketable cost of a building. Valuation of a building depends on the sort of building, its structure, durability, location, size, shape, and the width of roads, frontage, types and quality of building materials used and the cost of these materials. Valuation of a building also depends on the height of the plinth, height of the building, thickness of its walls, nature of structure (such as load bearing or framed structure), type of flooring, roofing, doors and windows etc.

Valuation can be defined as the process of estimating value. Valuation of a property may be prepared by different methods. The appropriate application of a method of valuation depends on the nature of the property as well as availability of reliable data. When the value arrived at by different methods are wide apart and judgment cannot fix with reasonable certainty which out of them is close to the more accurate market value, an average of two or more than two methods of valuation is applicable Property valuation typically seeks to determine fair market value, the price at which a knowledgeable seller willingly sells her property and a knowledgeable buyer will willingly purchase it. In other words, it assumes both parties have all the relevant information and neither are forced to buy or sell. Fair

market value is not always equal to the sales price. For example, a short sale of real estate may not bring fair market value because the seller is distressed and must sell the property right away. Potential buyers know this so they have a bargaining advantage and usually get the property for less than market value.

Property valuation lies upon four foundational pillars. Demand, the first, is the magnitude of interest and buying power in the market for purchasing property. Utility, the second, is the ability of the real estate to satisfy the use or need of prospective purchasers. Scarcity, the third, recognizes that there's a limited supply of real estate. Transferability, the fourth, refers to the ease at which a parcel of real estate can legally be transferred to a new owner. Many people use the acronym DUST to help remember these four important concepts.

II. METHODOLOGY

Research consist of the different general objectives of valuation like Buying or selling of property, Taxation, Rent Fixation, Security of Loans and mortgage, Compulsory Acquisition. As there have been various theoretical investigations performed on the topic related term from the all related research papers, there is no attempt made on residential and commercial property' s valuation. Hence here is try to attempt valuation of residential and commercial property for the purpose of bank loan. For present study the stepwise work procedure is carried out is explained as below.

1. Finalization of Site

For investigation and the study of problem, residential and commercial property in one land of single owner is selected. Land is located in fully developed Residential as well as Commercial area near Ambad. All Facilities like market, Hospitals, Schools, theatres are available at a short distance.

2. Description of Property

As we know the property has been use for both purposes (commercial and residential). In commercial use there is one grocery shop (Ground floor only) and one wedding hall (G+ 2 storey). For residential use there is one bungalow (G+1). All construction is in R.C.C. only. Total plot area – 3750 M^2.Details obtained after Site visit and Data collection are shown in Table-I below.

TABLE- I Details of Site Data

Sr. No.	Description	Built Up Area
1	Grocery Shop (G- Storied)	147.9 M^2
2	Wedding hall (G+2 – storied)	670.15 M^2
3	Bungalow (G+1 – Storied)	276.95 M^2

4. Valuation Process

Plinth area is the covered built-up area measured at the floor level of any storey or at the floor level of the basement. Plinth area is also called as built-up area and is the entire area occupied by the building including internal and external walls. After getting plinth area the rates are calculated by two methods as below. The research carried out by using plinth are rate method which is simpler than the detailed measurement method and also laborious and lengthy. In this method, the plinth area of the building is measured and calculated and plinth-area rate of a similar building in the locality is obtained by enquiry and cost is calculated. If the plinth area method is judiciously used, then the cost calculation will be precise and sufficient to suit practical purposes..

A) As per Government approved rates – Guideline rates are used for stamp duty calculations. So, It may vary from market value. It is calculated by using factors like Government ready-reckoner rate, Built-up area, Floors on which property situated depreciation etc.

B) As per fair market value – There is no fixed formula to calculate fair market value of a property. The technique most widely used to estimate fair market value is to look at the sale instances of similar properties in the same neighborhood. This is not to say that a valuation is only guesswork. But it is calculated by considering all the facts and circumstances connected with the property, such as its desirability,

5. Method of measurement of Plinth Area

For measurement, the lengths and widths to be measured nearest to 0.01m and areas to be rounded to 0.01 m2. During the measurement, following categories are measured separately:

- Commercial – Grocery Shop (Hall/one room & Godown)
- Commercial – Wedding Hall (Halls, Rooms, Sanitary accommodations etc.)
- Residential Bungalow – (Rooms, Sanitary accommodations etc.)

III. RESULTS AND DISCUSSION

A. RESULTS

Therefore after inspecting the site, considering its location also after enquiry towards estate brokers & survey of market rates in the nearby areas also going through the Zonal rate records from revenue office assess the plot at **Rs. 7,263/- per Sq.m.** as the best marketable / reasonable rate for valuation purpose as shown in Table-II below.

TABLE- II Calculations of Value of Building as per Government Rate

Sr. No.	Description	Area Sq.m.	Rate per Sq.m.	Total Amount
1	Grocery Shop – RCC Structure (Ground Floor)	147.98	12,000.00	17,75,760.00
2	Mangalkaryalaya – RCC Structure (G + 2)	670.15	14,000.00	93,82,100.00
3	Residential Bungalow – RCC Structure (G + 1)	276.95	12,500.00	33,49,375.00
				Total Rs. 1,45,07,235/-

Final Valuation

By multiplying rates with area which calculated earlier we got final value of property in terms of value of plot & land as shown in Table-III below.

1. Valuation as per Government Approved Rate:-

TABLE- III Calculations of Value of Plot as per Government Rate

Sr. No.	Description	Calculations
01.	Value of Open Plot	3750.00 Sq. m. x RS. 4350.00 = 1, 63, 12, 500.00
02.	Value of Building	1, 45, 07,235.00 /-
03.	**Total Value of Plot as per Sub - Registrar**	**RS. 3,08,19,735.00 /-**

2. Valuation as per Fair Market Value Rate:-

Guideline rate is used for stamp duty calculation. So it may vary from market value. In case of variation of 20% or more in the valuation proposed by the valuer and the guideline value provided in the state govt. notification or income tax gazette justification on variation has to be given as shown in Table-IV below.

TABLE- IV Calculations of Value of Plot as per Market Value Rate

Sr. No.	Description	Calculations
01.	Value of Open Plot	3750.00 Sq.m x Rs. 7,263.00 = 2,72,36,250.00
02.	Value of Building	1, 45, 07,235.00 /-
03.	**Total Value of Plot as per Sub - Registrar**	**RS. 4,17,43,485.00 = 4,17,00,000/-**

B. DISCUSSION

With reference to the results above the discussion can be made

I) Fair Market Value = 4, 17, 00,000/- (Rs. Four Crore Seventeen Lacks only)

II) Realizable Value = Market Value x 85%

= Rs. 4,17,00,000/- x 0.85 = Rs. 3,54,45,000.00/-
Say = Rs. 3, 54, 00,000.00/-

(Realizable Value - Rs. Three Crore Fifty Four Lacks only)

III) Forced Sale Value = Market Value x 0.75

= Rs. 4,17,00,000/- x 0.75 = Rs 3,12,75,000.00 /-
Say = Rs. 3, 12, 00,000.00 /-
(Forced Sale Value - Rs. Three Crore Twelve Lacks Only)

CONCLUSION

Research proposes the effective concept of valuation for the building and the specific nature and challenges for valuer, engineer and surveyor to calculate the market value of the building. In this research the guidelines given by government of Maharashtra are studied and to simplify the valuation purpose for bank and to calculate the market value of the building for bank loan for which valuation is needed, and the given time place and market conditions prevailing on the date as which valuation is required. As well as this case study has been useful to identify the value of particular building with respect to the rates of building as per government and market value rates by using plinth area method for valuation. At the end or present case study the forced sales value and realizable value get decreased as compare to final fair market value by 75% and 85% respectively by using plinth area method for valuation of building.

FUTURISTIC SCOPE

The present study of Property valuation helps an organization or an individual know the worth of the property. The fair price of a land, factory, or a building can be estimated through the valuation of a property. For any property it is an investment knowing the actual value of your property which is beneficial for you from various aspects. Whether you want to sale the property, purchase any property or want to keep it on rent. The value of your investment property should be known to you. Therefore to know the property valuation which is must for bank loan purpose and also in this study, simultaneously two types of buildings knowledge will be obtained.

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