

# STUDY OF VALUATION OF RESIDENTIAL PROPERTY – A CASE STUDY OF PUNE CITY

Mr. Harshad S. Pawar<sup>1</sup>, Dr. Nitin Bharadia<sup>2</sup>

<sup>1</sup>M.Tech (Valuation) Student, Department of Civil Engineering, Sandip University, Nashik, India.

<sup>2</sup>Associate Professor, Department of Civil Engineering, Sandip University, Nashik, India.

**Abstract** - Calculating a property's value at a specific period is the process of valuation. The property's market worth is frequently sought after. One of the most important aspects in calculating a property's worth is the present value of any possible future benefits from real estate ownership. Value is determined using the selling price and prospective rent or earnings. Pune, a sizable Indian metropolitan, has experienced recent fast growth. Due to increased home demand and real estate investment, real estate prices have increased. In Pune, efforts have been made to look at how real estate values have evolved and behaved, as well as the factors that have influenced them, and to acquaint people with the standard field practise of valuing real estate. The purpose of this study is to estimate the market value of real estate in India's PUNE (Maharashtra) region that is being taken into account for bank financing. This inquiry is being managed by a government-approved official valuer.

**Key words:** Real estate, property rates, market value, realisable value, valuation, and trend analysis in Pune.

## 1] INTRODUCTION

The property's conditions, such as its structure, age, maintenance history, location, etc., have an impact on its market value. The majority of financial transactions, such as buying, selling, borrowing, and mortgages, are related to value in the economy. At the request of the seller or a financing institution, an independent valuer or estate agent typically performs a property appraisal. In addition to structural evaluations that evaluate the property's physical condition, buyers who are thinking about making a purchase may ask for an estimate of the property's worth. A lending organisation (like a bank) could ask for a valuation before approving a mortgage or refinancing to make sure the loan can be repaid using the security value of the property. They may lend the money with confidence, knowing they can sell the house and recover any unpaid mortgage obligations. Sale of the property. In order for the assessment to be as fair and accurate as possible, the property will often be compared to other comparable houses in the vicinity.

Valuers will consider zoning, ordinances, and planning restrictions from the Council. In addition, factors including the neighbourhood's desirability, market demand, and amenities (such as schools, hospitals,

Green spaces, and so on) should be considered. The Land Registry, which updates home prices in various regions each month, is another source of information used by valuers.

## 2] LITERATURE REVIEW

- **madhavan b.k. (2012)** The author conducted a valuation of the SSM Institute of Engineering & Technology building in Didigul District, Tamil Nadu, which is a Gents hostel building. The valuation was conducted shortly after the building's completion of construction, and the author studied each individual item of work and conducted the valuation separately for each item.
- **Suraj patidar et. al. (2018)** this work aimed to study the market value of a building for bank financing purposes that is situated in an urban, semi-urban, and rural area of Chhattisgarh, India. This study helps the bank to know the actual condition of the building and simplify the bank finance amount to the owner of the property.
- **Sneha Malwadakar (2015)** work focused on the current rate variation for commercial properties in various areas of Pune city, India, and sought to identify the factors influencing the commercial property valuation. Commercial property is defined as real estate used to generate revenue. Many studies have examined the commercial property valuation parameters that affect their value. This study not only identifies the factors affecting co.
- **Ujwala P. kulkarni (2019)** research article examines the valuation of residential and commercial buildings via a case study, stating the many aspects that determine an asset's value and comparing market rates with government rates.

### 3] METHODOLOGY

To determine the market value of the property for bank financing reasons, the research activity started with a review of various valuation procedures and historical valuation report data gathered from government-authorized valuers. Documents pertaining to real estate, such as occupation certificates, architectural plans approved by the municipality, sale deeds, 7/12 extracts, CTS extracts, and declaration deeds, among others, are examined. We employed the land and building technique to determine the fair market value of properties for our investigation into the valuation of residential and commercial assets. The land and building approach is the addition of the independently computed current values of the land and building, which provides the ultimate value of the property.

#### A] FUNDAMENTAL PRINCIPLES OF VALUATION

- Value varies with purpose.
- Value is a function of place, purpose, and date.

#### B] VALUATION PURPOSES

- Purchasing
- Selling
- Mortgaging with banks
- Insurance
- Compensation for land acquisition
- Income Tax - Cost of construction & Capital gains
- Court
- Visa
- Rent fixation
- Arbitration
- Partition, Settlement, WILL
- Amalgamation and separation of companies, etc

#### C] PURPOSES FOR WHICH A BANK REQUIRES VALUATION REPORTS FROM THE VALUERS.

- Housing loan for the new construction
- Loans for the purchase of ready-built property
- Educational loans
- Mortgage loan
- Primary security
- Collateral security

- Periodical revaluation of assets
- Transfer of accounts from one bank to another bank
- Valuation of stocks in trade
- One-time settlement
- To fix the upset price
- Valuation of sick units when it is proposed to be purchased by others.
- Insurance value of the bank's assets
- Merger of two banks
- Value of assets owned by the bank for balance sheet
- To fix the ground rent
- Fitness certificate for cash chest / strong room

#### D] COMMON VALUES INVOLVED IN BANK VALUATION

- Cost value
- Historic Value
- Written down value
- Book value
- Replacement value
- Salvage value
- Depreciation value
- Depreciated value
- Market value

#### E] VALUATION REPORT AND LEGAL OPINION

What are the two documents, a banker is relying upon to decide on loan processing

- Legal opinion by panel advocate
- Valuation report by panel valuer

#### F] THE ROLE OF LEGAL OPINION

Whether to give a loan or not depends upon the opinion given by the panel advocate. He certifies whether the

- Property is free from any encumbrance.
- Owner enjoys absolute marketable title deed.

## **G] THE ROLE OF THE VALUATION REPORT**

A banker will select the amount of the loan that will be approved for the property that has been pledged based on the value that the panel valuer has confirmed.

## **H] GENERAL PROCEDURE TO BE ADOPTED WHILE DOING BANK VALUATION**

- Perusal of documents
- Physical inspection of the property
- Preparation of valuation report

## **I] DOCUMENTS TO BE PERUSED NECESSARILY FOR VARIOUS PROPERTIES FOR HOUSING LOAN AND SECURITY PURPOSE**

### **a) HOUSING LOAN**

#### **I. New building (under construction)**

Registered sale deed for plot purchased Estimate copy signed by the Engineer Approved plan by the competent authority Latest legal opinion

#### **II. Proposed purchase of an existing building**

Agreement copy for sale Sale deed in the name of seller Approved plan Latest legal opinion House tax receipt

#### **III. Existing flat - proposed purchase**

Sale deed for Undivided Share of Land (UDS)

Builder's agreement

Approved drawing

House tax receipt

Electricity card

Sketch showing the location of a floor

Sketch showing the location of the flat on the said floor

#### **IV. Flat under construction**

The total layout of the apartments includes details of several flats and common facilities.

Undivided share of land details (Registration deed copy)

- Construction agreement
- Plan of the individual flat
- Approval plan by a competent authority
- Latest legal opinion

- House tax receipt

Sketch showing the location of the floor regarding the ground level

Sketch showing the location of the flat undervaluation concerning other flats on the same floor

## **b) SECURITY**

### **I. Vacant plot/site**

Layout (approved)

Sale deed (photocopy)

Field measurement book – sketch

Latest legal opinion

### **II. Land**

Registered deed with registration number Field map sketch with detailed measurements Latest legal opinion

### **III. Land & Building**

Registered deed with registration number Approved plan by competent authority Latest house tax receipt Electricity card Latest legal opinion

### **IV. Existing flat - Proposed Purchase**

Sale Deed for an Agreement with UDS Builders drawing that has been approved House tax receipt Electricity card drawing displaying the position of the floor Sketch indicating the apartment's placement on the indicated floor

## **J] THE ROLE OF APPROVED DRAWING IN BANK VALUATION**

The bank desires the safety of its funds. It does not want the building (for which the loan was issued) to be in danger of being demolished because of illegal construction or any other significant breach of the approved drawing.

## **K] BASIC PRINCIPLES A PANEL VALUER MUST REMEMBER**

- Value varies with purpose.
- Value is a function of place, purpose, and date.
- Approved drawing plays a significant role in housing loan valuation.
- The value to be certified is different for collateral and primary securities.

- Only marketable properties can have market value confirmed. When assessing market value, there is no set formula. There are so many real-world factors that influence it. 13.6 Only the skilled valuer needs to use his head wisely and determine. 13.7 Market value certified yesterday need not be the same today or tomorrow.
- There is no absolute truth that the market value of land escalates every year. It may come down due to any number of obvious reasons.
- Every bank valuation is a typical one. No two properties may be similar to each other.
- Depending upon the exact purpose of valuation, appropriate terminology is to be used and due value is to be certified accordingly.
- Remember: There is no absolute in valuation.

**L] Property value is calculated as follows:**

Land value + building value + amenities, and services.

This approach is typically used in the following circumstances:-

- When it comes to privately owned property.
- In the event of a property that is mostly rented out and somewhat self-occupied (greater than 60%).
- When it is impossible to get a reasonable and manageable rent.

Size, form, location, frontage, amenities, utilities, FAR/FSI, road width, as well as unfavourable elements like slum areas, dumping grounds, Nala, etc., all have an impact on a property's land value.

**M] The steps that should be utilised in practise to determine a property's fair market value are shown in the following.**

- Ask the applicant what the precise objective of the appraisal is.
- Documentation collection
- On-site document verification by measurement of all plot dimensions, the plot's four sides, the margin, etc.
- Calculate the unit land rate using the RRR (Ready Reckoner Rate) and b/up rate by comparing comparable properties in the neighborhood and

taking into account the amenities and infrastructure available.

- Five) determine fair market value.
- Create an appraisal report.
- Send the information to the appropriate bank.

**N] DEFINITION**

**Market Value** = "Market value" is the price that a willing buyer would pay a willing seller for a property, taking into consideration all of the property's advantages and potential opportunities under the most advantageous circumstances, as well as the property's current conditions.

**Guideline value** = "Guideline value" is the value of the land value placed in the register at the registrar's office is the "Guideline value," which is used to determine the amount of stamp duty that must be paid when the documents are registered.

**Fair market value** = A property's "fair market value" is the price that, in the opinion of the valuation officer, it would fetch if it were to be put up for sale on the open market on the valuation date. The phrase "distress value" refers to any amount that is between 80% and 90% of fair market value.

**4] CASE STUDY**

**Property detail**

1. Location of property: - Survey no. / Gat no. : S. no 65/3
2. Block / Plot: Plot no. 22,23. Baner.
3. Taluka, Dist.: Pune, Tal. Dist. Haveli.
4. Type of Property: RCC Structure

Description	Area (sq.mt)	Market rate per sq.mt	Estimate market value	Govt. Guideline Rate (Rs.) (per Sq.mt)	Guideline value (Rs.)
Land	463.21	Rs. 55,800/- per Sq. mt.	Rs 25847118/-	Rs 35900/-	Rs 16629239/-
B/up	239.68	Rs. 23,600/- per Sq. mt.	Rs 5656448/-	Rs 94520/-	Rs 2265453/-
Total value			Rs 31503566/-		Rs 39283792/-
Realisable value (90%)			Rs 28353209/-		

Distress value (80%)			Rs 25202852/-		
State the source for arriving at the market value			Well-Developed & Good Locality		

[3] Sneha Malwadakar, "Study Of Commercial Property Valuation " Vol. 03, Issue 09, March 2015.

[4] Municipally approved drawings, sale deed, completion

[5] Suraj patidar et. al., "Valuation Of

Multi Storied Building For Bank Finance Purpose" Vol. 03 Issue 05, May 2018.

## 5] RESULT AND DISCUSSION

The purpose of this research is to examine the value of residential By doing a case study based on commercial buildings the findings of this investigation are shown below;

- On-site property document verification is really important.
- The property's market value fluctuates based on the official rate.
- The property's overall worth depends on the building's location, its frontage, and its age both the structure itself and how it appears.
- The building's age is a significant factor in the valuation of the structure.
- As time passes, the land rate continues to rise. On the other hand, as a result of its constant decline, the b/up rate Depreciation is the term for this idea of wear and tear, etc.
- The building's worth is also based on the expansion of the neighborhood.

## 6] CONCLUSION

Consequently, we learn from this study how real estate is actually valued in practice. Financial institutions need to know the actual market value of the security pledged for a mortgage since real property is used as security against loan advances. Real estate valuers are responsible for determining the property's market value. Financial institutions need to be aware of the fundamentals.

## 7] REFERENCES

[1] Guidelines of Valuation of Immovable Properties 2009. Valuation methods and are also conversant with the various Terminology used in the Valuation Report.

[2] Ujwala P. kulkarni, "Valuation of residential and commercial building – a case study", vol. 67 issue 1, January 2019.