

# Valuation of Residential And Commercial Property-Case Study On Residential Apartment At Chalisgaon

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**Abstract**— The analytical process of determining the current value of an asset such as residential, commercial, industrial, or agricultural land is known as appraisal. The value is determined by the selling price as well as the potential rent or income. The goal of this research is to get people acquainted with the general field practice of real estate valuation. The purpose of this study is to determine the market value of properties for bank financing in Chalisgaon, Dist Jalgaon (Maharashtra), India, located in urban, semi-urban, and rural areas.

**Keyword:** Valuation, Market survey, Residential, Commercial, selling price.

## 1. INTRODUCTION

The process of evaluating the market worth of real estate is known as valuation. The value of a property is determined by factors such as structure, age, maintenance, location, and so on. Valuation is done mostly for financial operations in the economy, such as investments, buying and selling, loans and mortgages, and so forth.

The practise of evaluating the cost of a property based on its existing condition is known as appraisal. Immovable properties include land, buildings, mines, trees, quarries, and so on, while mobile properties include coal, oil, steel, cement, sand, and so on.

Property valuations are often performed by an estate agent or independent valuer acting on the seller's or financing institution's instructions. In addition to structural surveys to examine the physical state of a property, buyers might request a property valuation if they are considering purchasing one. Before a mortgage or refinancing, a lending institution (such as a bank) may request a value to secure the loan. The collateral value of the property may cover it. This provides them the confidence to lend cash since they know that if the mortgage is not paid, they may reclaim any lost funds by flipping the property.

### 1.1. Aim of Study

Determining the fair price or worth of a property such as a building, factory, other forms of engineering buildings, land, etc. A property's current worth is established by appraisal. A property's present value might be judged by its sale price or the revenue or rent it can generate.

### 1.2 The important factors influencing the value of building

- Type of the building
- Location of the building
- Expected life of the building
- Size and shape of the building
- The Present condition of the building
- Legal control of the building

### 1.3 Purposes of valuation

- Buying or Selling Property

Property appraisal is essential when buying or selling a home.

- Taxation

A property's valuation is required in order to assess its tax. Municipal taxes, wealth taxes, property taxes, and so on are all based on the value of the property.

- Rent Function

A valuation is required to determine a property's rent. Rent is normally fixed at a certain proportion of the valuation, which ranges from 6% to 10% of the valuation.

- Security of loans or Mortgage

Property value is essential when loans are taken out against it as security.

- Compulsory acquisition

When a property is acquired by law, the owner is compensated. The property must be valued in order to establish the amount of compensation.

## 2. STATE OF DEVELOPMENT

**D. Krishnaraja discusses** ways for pricing different levels of a building in November (2013). The depreciation of a building with several levels erected at various times must be examined differently than the standard technique. The standard technique includes two formulas: the straight line method and the decreasing balance method. This form of depreciation computation based on the age of the building as a whole does not account for the increasing value of the upper floor remains because they are either newer or younger than the ground floor.

**Khazan Chandra (2015)** describes the calculation of building costs using CPWD plinth area rates. Construction cost evaluation refers to the appraisal of investment costs in a structure. This is often required by the financial institution's income tax department to be compared with the investments that the owner presents in his account, and occasionally for other reasons such as family conflicts or other reasons. The building expenses should thus be as near to the real prices as feasible. The author discusses the valuation of investment expenses for income tax purposes in this article.

The goal of this investigation, according to **Abhishek Golcha et al. (2016)**, was to evaluate the market value of buildings for bank financing reasons in Chhattisgarh, India, in urban, semi-urban, and rural locations. This analysis assists the bank in determining the true state of the building and simplifies the bank's financing amount to the property owner. A property valuation informs both the property owner and the bank of the property's genuine value.

According to **Sneha Sudhir Mokalkar (2017)**, the purpose of this article was to investigate the current rate changes for commercial properties in various locations of Pune, India, as well as the variables influencing commercial property valuation. Commercial property is defined as income-generating property. Many research have been conducted to examine the valuation criteria of commercial real estate that influence its value. This study

not only identifies the elements impacting commercial real estate value, but it also identifies the zones or places in Pune that have witnessed a significant shift in commercial real estate value trend. This research would assist a potential buyer in making the optimal buying selection in order to maximize future profits.

## 3. METHODOLOGY

The following methodology is adopted

- Gathering all necessary plans and drawings
- Visit the property being valued and the property being compared.
- Use of Land and Building Methods
- Use of the Rental Income technique.
- Use of the Composite Rate Method

The Methods of Valuation.

A. Plinth area method

B. Depreciation rate method

C. Rental method

D. Land and building method

E. Development method

## 4. CASE STUDY

### 4.1 Case Study I - Example of Residential Apartment at Chalisgaon

Table 1 Basic Details

Applicant's Name	Mr. Gaurav Rajendra Chaudhari	Name of Owners	Mr. Gaurav Rajendra Chaudhari
Type of property	Residential	Current usage	Residential
Property	Chaudhari's Apt., Devkar Mala, Near Deore Hospital, Captain Corner, Bhadgaon Road, Chalisgaon-424101		
Address Docs	Chaudhari's Apt., Devkar Mala, Near Deore Hospital, Captain Corner, Bhadgaon Road, Chalisgaon-424101		

Table 2 Surrounding & Locality Details

Zoning as per Master Plan / Development plan	Residential	Proximity from civic amenities / public transport	Nearby
Class of locality (High / Middle Class / Lower / Negative)	Middle Class	Nearest Railway Station	Nashik Railway Station
Site (Developed under-developed)	Developed	Nearest Bus Stop	CBS Bus Stop
Nearest Landmark	Deore Hospital	Distance from City Centre	2.1 Km
Condition and width of approach road: -	Good Condition & it is 7.5 Mt. Wide Road		-----

Table 3 Property Details

Brief description of the property	Chaudhari's Apt., Devkar Mala, Near Deore Hospital, Captain Corner, Bhadgaon Road, Chalisgaon-424101			
Internal visit done	Yes			
Occupant	Vacant/Occupied	Vacant	Name of Occupant	Mr. Chaudhari
	Relation with applicant	Self	Self / Tenant / any other	Self
Building details	Property Demarcated	Yes	Property Identified through	Mr. Chaudhari
	Type of structure	RCC	Land/Plot Area (Sq.	3229.2

			Ft.)	
	No of Blocks/Wings	1	No. of Floors	G + 3
	No of Units per floor	2	No. of Lifts	1
	Amenities	NA		
Unit details	Located on Floor No.	3 <sup>rd</sup> Floor	No. of Rooms / Unit configuration	2 BHK
	Remarks on view from property	Residential Development		

Table 4 Valuation

Area Details		
Land Area (Sq. Mt.)	Market Rate (per Sq. Ft.)	Total Value of Property
3229.2	Rs.3500/-	Rs. 1,13,02,200 /-
In Words	INR. One Crore Thirteen Lakh Two Thousand And Two Hundred Rupees Only.	
<b>A1: Value of Land (Applicable for Villa / Bungalow / Row House / Industrial, Vacant Land/Residential Flat)</b>		
<b>Value of Land + Construction in Rs. (A1)</b>		NA

Table 5 Comparison Method

A2. Comparison Method			
Carpet Area	NA	Loading in %	NA
Saleable area	5,330.87 Sq. Ft.	Rate per Sq. Mt.	Rs. 2000 /-
Total Value of Property	Rs.1,06,61,740 /-		

In Words	INR. One Crore Six Lakh Sixty-One Thousand Seven Hundred and Forty Rupees Only.	
No of car parks	Rate per car parking	Value of car park
NA	NA	NA
Other charges in Rs. (Lump Sum)		NA
<b>Total Amenities charges (B)</b>		NA
<b>Total Fair Market Value of the property: - A1 or (A2 + B)</b>		Rs.2,19,63,940 /-
<b>Total Value of Property</b>		Rs.2,19,63,940 /-
In Words	INR. Two Crore Nineteen Lakh Sixty-Three Thousand Nine Hundred and Forty Rupees Only.	
<b>Realizable Value</b>		Rs. 1,75,71,152 /-
<b>Forced Sale Value / Distress Value (75%)</b>		Rs. 1,64,72,955 /-
<b>Ready Reckoner rate / Circle rate (per Sq. Ft.)</b>		Rs. 1800 /-
<b>Property Value as per Ready Reckoner/Circle Rate</b>		Rs. 95,95,566 /-
<b>Insurance value / Re-construction cost</b>		NA
Approx. Rentals in case of 100% complete property		NA
Supporting explanation in case difference between FMV and Reckoner Rate is >20%		--

## 5. CONCLUSION

As a result of this research, we now understand how real estate appraisal is done in practise. Because the property is used as collateral for the loans, it is critical that the money lending institutions understand the genuine market value of the collateral pledged for the mortgage. Real estate appraisers are responsible for determining the market value of real estate. Financial institutions should be familiar with the basic valuation procedures as well as the language used in the Valuation Report.

We discovered that we perform building valuations. This fair market value can be employed by a financial institution, a bank, or an appraiser. For bank financing purposes, financial institutions will know the real state of the building, the county registrar will know the worth of the building at the time of sale, and the owner may also know the current market position of his property.

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