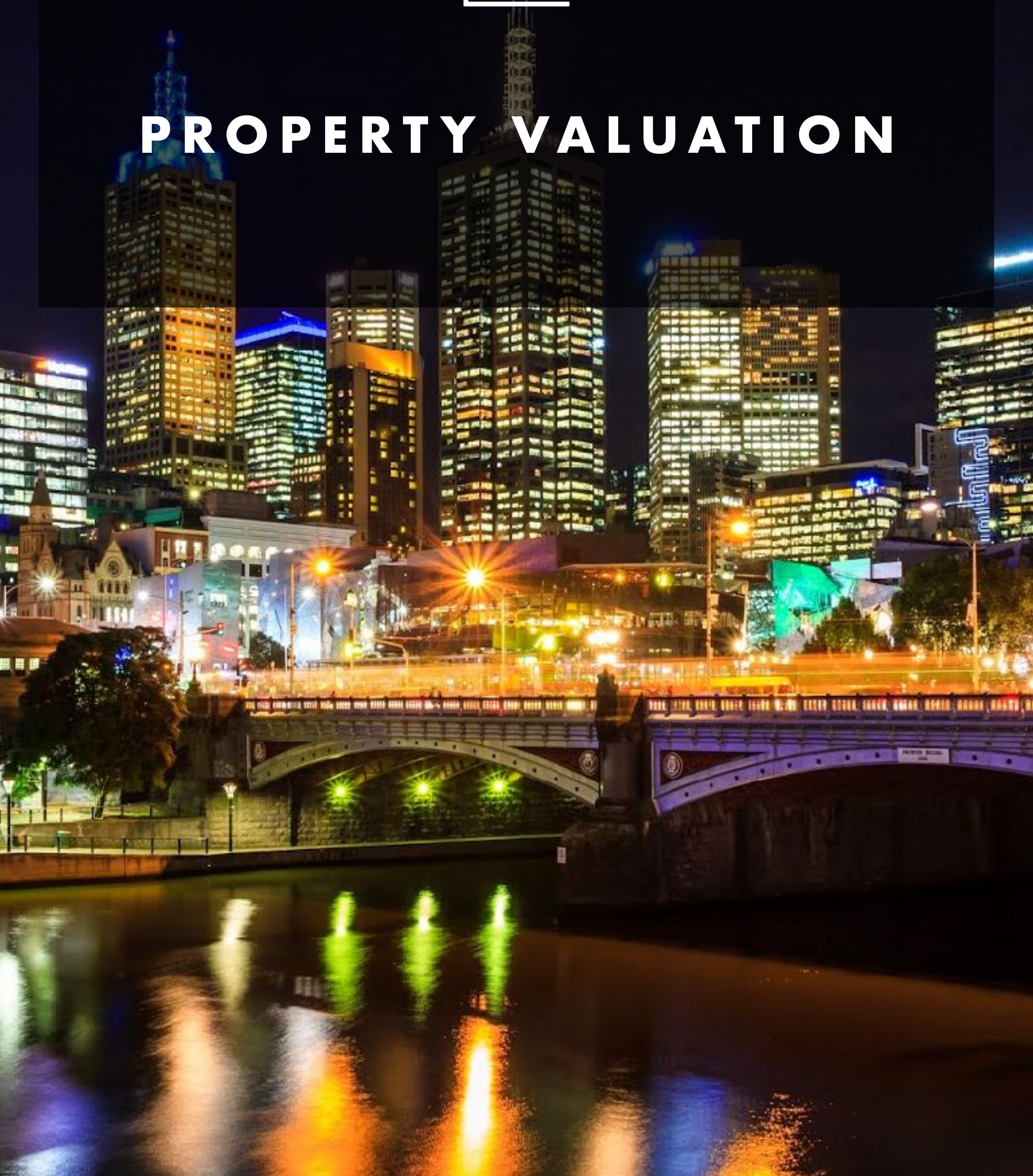


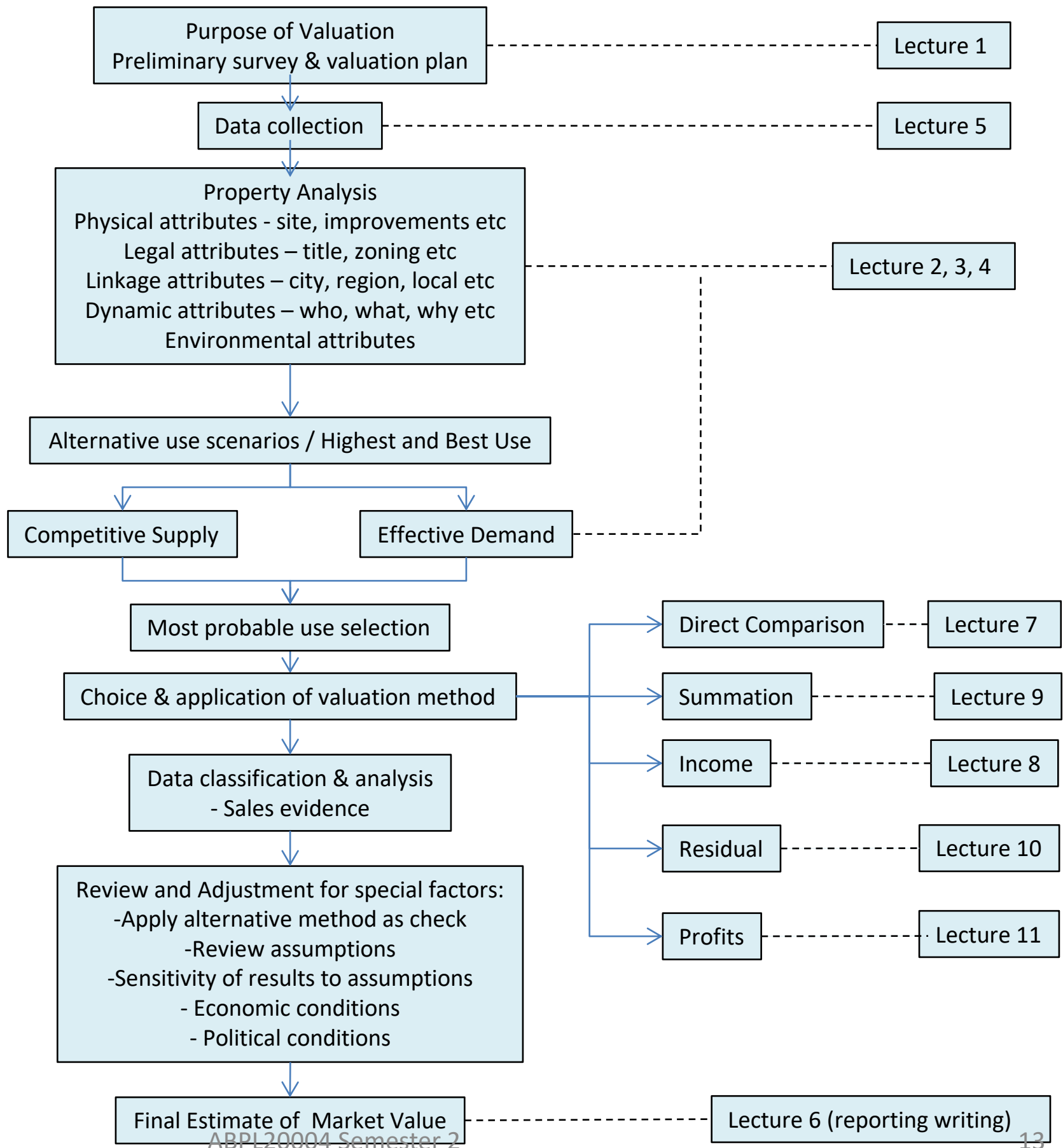
PROPERTY VALUATION



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OVERVIEW OF VALUATION



3

MARKET AND ECONOMIC FORCE

• The efficient market conditions

- Large number of buyers and sellers; frequent transactions
- Homogeneous and divisible products;
- Participants enter/leave the market at will and have complete knowledge;
- Pricing by competitive bidding at arm's length;
- No information and transaction cost.
- **Theorem of equilibrium market price:**
In an efficient market, only one price at a time at one physical location will be seen.

• Market boundary

- **Market area:** area surrounding the property, which offers competitive options of similar characteristic, influence and stature.
- **Neighbourhood:** the spatial area in which people interact, socialise, and maintain social order.

• Sub-markets

- Divided by asset type, industry service quality, spatial, jurisdiction e.g. domestic vs. overseas.

	Residential	Commercial	Retail	Industrial
Demand		<ul style="list-style-type: none"> • Employment • Economic conditions 	<ul style="list-style-type: none"> • Purchasing power of the population 	<ul style="list-style-type: none"> • Demand for particular goods of the population
Supply		<ul style="list-style-type: none"> • Demand • Rental levels. 	<ul style="list-style-type: none"> • Catchment area 	<ul style="list-style-type: none"> • Demand • Availability of labour
Value influences	<ul style="list-style-type: none"> • Accessibility • Convenience (linkages) • Customer preferences • Area reputation 	<ul style="list-style-type: none"> • Accessibility • Convenience (linkages) • Labour force • Building quality, functionality 	<ul style="list-style-type: none"> • Accessibility • Convenience (linkages) • Purchasing power • Repeat patronage • Pedestrian & vehicular traffic 	<ul style="list-style-type: none"> • Accessibility • Labour force • Functionality & size • Availability of utilities • Land size for future expansion
Notes	<ul style="list-style-type: none"> • Low risk low return (2-3%) 	<ul style="list-style-type: none"> • Capital intensive • Centrally located 	<ul style="list-style-type: none"> • Capital intensive • Basic building • Agglomeration 	<ul style="list-style-type: none"> • Basic building • Limited uses

• Macro-factors influencing market

External	Internal
<ul style="list-style-type: none"> • interest rate, exchange rate • competing uses and markets • growth of general economy • policy, tax, land use control, • foreign markets 	<ul style="list-style-type: none"> • submarket boundary • product (i.e. land and structure) characteristics • buyer, seller interaction • Search and bargaining cost

• Life cycle vs market cycle

- The life cycle: growth, stability, decline, revitalisation
- The market cycle: economic growth, market instability, capital value and rental price fluctuation
- Complex change in society: Tastes, preferences, demographic, income, policy...
- Gentrification inspires the revitalisation of market areas, leading to the recurrence of cyclic phases.