

# Factors affecting the valuation of building-purpose, terms

## Introduction of valuation

Valuation is an art of assessing ( finding out ) the present fair value of the property ( land, land and building, factory, machine, etc). Hence, by valuation, the present price or the value of a property is determined. The valuation of building depends on various factors.

In other words, valuation is an art of judgment based on experience and relevant statistical data to forecast the value of a property at present.

The present value of a property may decide by its selling price or income or rent it may fetch. The value of the property depends on its structure, life, maintenance, location, bank interest, legal control, etc.



Factors affecting the valuation of building

The value also depends on supply or demand and the purpose for which valuation is required, and continually varies with age, physical state and characteristics of the property itself.

Cost means the original cost of construction while value means the present value (saleable value ) which may be higher or lower than the cost. A building whole cost of construction is

Rs. 50000, when put for sale may fetch Rs. 60000, this sale price is the value of the building. Similarly, the value may be less than the original cost.

Also Read,

Different types of concrete mix ratio

Types of Dam

Size of aggregate used for concrete

### ***Purpose of valuation***

The main purpose of valuation are as follows;

1. Buying or selling property
2. For mortgage as security loan
3. For determination of rent
4. For tax fixation or assessment of taxes
5. For compulsory acquisition
6. To determine speculation i.e. more than the fair price in selling
7. To determine betterment charges i.e. more than the fair price in buying
8. For fixation of insurance premium
9. For probate
10. For the partition of a property
11. To determine the compensation for any loss due to earthquake, war, etc.

### ***Principle of valuation of building***

When resorting to the valuation of any property a valuator must be an expert in the trade. He must have sound knowledge of planning, designing, and construction of a property. He should be aware of administrative laws like town planning laws, rent, restrictor acts, local taxes, etc.

The following principles should be observed at the time of

evaluating fair and reasonable value of a property.

1. Cost depends upon the supply and demand of property.
2. Cost depends upon its design, specification of the materials used and location of the property.
3. Cost varies with the purpose for which valuation is made.
4. Cost is affected by the age of the property and its physical conditions.
5. In valuation, a vender must be willing to sell and the purchaser willing to buy.
6. Present and future use if any property should be given due weight age in valuation.
7. Cost analysis must be based on statistical data as it may sometime require evidence in the court.

### ***Factors affecting the valuation***

The following are the factors that affect the valuation of building

1. Location
2. Climatic condition
3. Population census
4. Supply and demand function
5. Rate of interest
6. Topography
7. Rent restriction act
8. Security on capital
9. Abnormal condition
10. Purpose

### ***Terms used in valuation***

The following are the term commonly used in valuation:

1. Value and cost
2. Book value
3. Assessed value

4. Distress value or forced sale value
5. Replacement value
6. Retable value
7. Potential value
8. Annuity
9. Perpetual annuity
10. Differed annuity
11. Scrap value
12. Salvage value
13. Gross income
14. Outgoings
15. Net income
16. Capitalized value
17. Year's purchase
18. Sinking fund
19. Depreciation

Hence, I hope this article on "factors affecting the valuation of building" remains helpful for you. Thank you.