

**A STUDY ON VALUATION OF REAL ESTATE PROPERTY WITHIN GUWAHATI
METROPOLITAN CITY AREA**

ABSTRACT

Shelter is a basic need and ensuring the need is a social responsibility. Providing safe shelter vis-a-vis housing, especially for poor and marginal sector has had been an enormous challenge globally. Availability of safe hygienic shelter is an indicator of good and strong socio- economic health of a nation. Ensuring affordable shelter to all is a challenge globally recognized. In India such challenge had been recognized decades before resulting introduction of various schemes, both in terms of actual implementation as well as monetary incentives to achieve the goal. Challenge to provide affordable housing/ shelter is not only confined to rural masses but also is a huge challenge to the urban centers. With influx of population in the urban centers for varied economic activities pressure on land in such urban centers has exponentially grown up which resulted in abrupt and heavy increase of price of land. As a corollary to such sky rocketing of land price in the urban centers, the idea of apartments came to be realized to achieve the goal of housing for all specially the neo urban dwellers i.e. the mostly the first generation urban dwellers.

The city of Guwahati is considered the gate way of North East India, Checking to expand its vision beyond the eastern boundary for multifarious economic and business activities both intra and international. Checking better avenues and opportunities, people not only from within the state of Assam but also from outside the state have migrated to the city. There by creating more pressure on the land which has resulted spiraling growth of land price vis-a-vis value. The increase land value, as a fall out affect, the concept of Apartments i.e. optimal use of land for affordable housing has come up in a big way. Concept of Apartments basically owns individual house in a share arrangement thereby restricting absolute ownership. Ownership of the Apartment is conditional as an Apartment is not an independent property in absolute chance i.e. part of a jointly shared property. This instant study confines itself to

challenge of such individual Apartment within the Guwahati Metropolitan City Area. The concept of Apartment building in Guwahati City may still to be considered at a nascent stage as compared to other cities globally or nationally. As commonly use, an Apartment is also referred to herein after as flat for an Apartment and flats for Apartments.

Valuation of a property vis-a-vis real estate is an inherent requirement preceding transfer of the property by way of gift, sale, mortgage etc.. For low valued property it is mostly application of common human prudence that ascertains the value vis-a-vis price. As minor variation would not generally affect either transferor or transferee, substantially in terms of monetary consideration.

With increase in prices as well as for the purpose of institutionalize financial credit both for purpose of procuring as well as construction of real estate property, correct assessment of value is must and for a same application of technique of valuation keeping in mind peculiar characteristic of individual property. Applicability of a particular method, amongst various modes of valuation of real estate property, depends upon not only such particular characteristic of individual real estate property but also purpose of valuation of such property. It is commonly accepted that 'Value of real estate property varies with purpose and date'.

With high value in stake real estate in urban centre mostly, are required to be valued property by applying modern technique in order to safeguard financial interest of both transferor and transferee. For the purpose of caring out specific study, this instant academic endeavor is confined to valuation of apartment within the Guwahati Metropolitan City area. For the purpose of the instant study the apartment is categorized in two parts VIZ. a). Readymade Apartment (flat) or ready to move apartment (flat) and b). Apartment(flat) under construction.

In readymade apartment its physical existence can be sensed and inspected and as such by applying correct method, valuation of the property can be fairly assessed without much hassle. It is however in case of valuation of an apartment which is under

construction that pose serious challenge. A prospective buyer of an apartment (flat) is often required to pay or rather negotiate price without the physical presence of the apartment which is only promised to be constructed in future adhering to certain specifications as the builder or promoter would generally offer. In overwhelming cases, prospective buyers entered into an Agreement with the builder / developer / promoter to pay the agreed consideration amount on the faith of assurance of finance by bank or financial institutions. In return such bank / financial institution required to secure the property i.e. the apartment against offer of financing even before its actual physical existence. The financier, even for the matter of fact the prospective buyer advances payments, even if partially to agreed consideration amount, only an expectation of coming in to existence of the property in future. In this context valuation of such virtual property poses immense challenge to secure the financial interest of both the prospective buyer as well as bank or financial institutions agreeing to finance such apartment which is still under construction and as such this instant study lays special emphasis on these aspects.

Real Estate: Meaning and Definition

Land plus anything permanently fixed to it, including buildings, sheds and other items attached to the structure is generally referred to as Real Estate.

The Planning Commission of India defines '*Real estate*' as land, including the air above it and the ground below it, and any buildings or structures on it. It is also referred to as realty.

Land together with any appurtenances attached thereto being immovable in character and enhancing utility of thereof is in common parlance considered as real estate. Being real, the property is not virtual in nature and it must be able to be seen and sensed.

The term '*Real estate*' includes the sale, purchase, and development of land, residential and non-residential buildings. It also includes residential housing, commercial offices, hotels and restaurants, trading spaces such as theatres, retail

outlets, industrial buildings such as factories and government buildings. The landlords, developers, builders, real estate agents, tenants, buyers and the financiers are considered as the key players in the real estate market are.

Types of Real Estate Property

With the advent of diversified human interests vis-a-vis activities, usage and utilities of real estate have become multifarious and multidimensional resulting categorization of real estate based such usages and utilities, viz.

- a. Residential property
- b. Commercial property
- c. Industrial property.
- d. Vacant Land.

Meaning of Valuation

Valuation is the process to evaluate the value of a property as on specific date and time. The value usually sought is the market value of property.

Valuation of Real estate is the task of appraising the prospective price of a site or building in the case of a sale. Such appraisals are important for investment decisions, for real estate funds and project developments.

The present worth of future benefits arising from the ownership of real property. Unlike many consumer goods that are quickly used, the benefits of real property are generally realized over a long period of time. Therefore, an estimate of a property's value must take into consideration economic and social trends, as well as governmental controls or regulations and environmental conditions that may influence the four elements of value:

Method of Valuation

Generally there are three main approaches for valuation the Real Estate property. These are:

- ⇨ Sales Comparison Approach Method
- ⇨ Cost Approach Method
- ⇨ Income Capitalization Approach Method

The research study examines the procedure followed in the valuation of Residential Real Estate property in Guwahati, Assam. This study also analyses the factors determining the valuation of Real Estate property. The study also tries to know the various methods used in valuation of real estate property. The study also highlights the method mostly used in valuation of residential real estate property within Guwahati Metropolitan City area. This study also brings out the problems/challenges in the methods being practiced within Guwahati Metropolitan City area. The study also recommends solutions to the problems/ challenges in valuation method of real estate Guwahati Metropolitan City area.

The entire thesis has been divided into five chapters as follows :

Chapter-1 includes introduction about the topic of the research. The introduction part includes the background of Real Estate in India as well as the Real Estate in Assam and background of Real Estate in Guwahati. This chapter also discusses the meaning, definition and types of Real Estate Property. In this chapter research queries, objective of the study, Method of Valuation, Factors Affecting Valuation of Real Estate Property, System of general practice for Valuation of residential real estate property (flat), Process in buying a Residential Real Estate property, Research Questions, Research Methodology have been elaborated. The Regulatory Frame work on Real Estate and the main Laws that Govern the Real Estate within Guwahati Metropolitan City Area also have been discussed in this chapter.

In the chapter-2 in-depth reviews of literature related to the study have been done. The reviews of literature have been carried out with various thematic discussions. The review of the literature has been structured in the following theme: Real Estate in General –Introduction, Housing and Urban development.

Real Estate Pricing, Valuation of Real Estate Buying Behavior. Research gap of the study which have come out from the discussion of review of literature is also been elaborated in this chapter.

Chapter-3 deals with the profile of Guwahati where the research has been carried out. In this chapter the history of Guwahati, Number of wards and place covered by Guwahati Municipal area and trend of population growth in Guwahati as per census reports have been discussed.

Chapter-4 includes the analysis of data which have been collected through field survey. The analysis of the data have been organized which are related to Govt. Registered Valuers, analysis of data related to Builders/ Developers and analysis of data related to individual flat owners.

This chapter analysis the valuation method used by the Govt. Register Valuer in case of valuation of residential real estate property and the factors affecting on the valuation of the residential real estate property within Guwahati Metropolitan city area. This chapter also discusses the problems faced by the practicing valuers at the time of valuation of residential real estate property.

The analysis of the data collected from the builders have reflected the method used by the builders to fixed the price of the residential flats or unit price of the apartment. It also high lights the factors affecting in the price of a flat, problems faced by the builder in developing the project etc.

Again this chapter includes the analysis of data collected from the individual flat owners which high light the purchase price of individual flat, problems faced in buying a flat, problem faced after buying a flat, factors considered at the time of

purchase a flat etc. The hypotheses have been analysed through the use of SPSS 16.0 software to get the Results which are again interpreted.

Chapter -5 discusses the findings related to Govt. Regd. Valuers, Developers/Builders, individual flat owners and also testing of hypotheses. In this chapter the problems areas in relation to valuation of real estate property have been discussed from the Valuer's point of view, from the Builders/ Developers' Point of View and from the individual flat owner's Point of View. This chapter also recommended the necessary Suggestions as a solution to the problems areas which have been discussed.