CHAPTER-5

CONCLUSIONS: SUMMARY, MAJOR FINDINGS, CHALLENGES, RECOMMENDATIONS AND CONTRIBUTION TO THEORY

This chapter includes the summary and major findings related to Govt. Regd. Valuers, Developers/Builders, and individual flat owners and also findings of hypothesis. In this chapter the General challenges faced by valuers in respect to valuation of Residential Real Estate Property and problems areas in relation to the Builders/ Developers' point of view and the Individual flat owner's point of view have been discussed. This chapter also highlights the Suggestions for the problem areas, contribution to theory, Scope of future research, etc.

5.1 Summary of the study

The study has been presented in five chapters. The introductory chapter deals 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, Hypotheses and delimitation of the research 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.

To achieve the objectives both the Primary and Secondary data have been used in the study. Convenience Sampling Method has been used for designing the Sample. A Sample 30 valuers, 70 builders and 200 individual flat owners have been selected from the respondents within Guwahati Metropolitan City area. For analysing the collected data related to valuation method, influencing factor, Cost structure and

interpreting the data, the researcher has adopted appropriate Statistical tools descriptive statistics, table, graph, histogram, Weighted Mean Score and Ranking, Pearson's correlation coefficient, Kendall's co-efficient of concordance have been used.

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.

The Chapter 3 deals with the profile of Guwahati which include history of Guwahati, Pilgrims' Paradise, today's context, Number of wards and place covered by Guwahati Municipal area and trend of population growth in Guwahati as per census reports have been discussed.

The 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. Registered 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.

From the study it is found that, though there are methods of valuation are available for practice, but the majority of the valuers use in practice Sales Comparision Method for valuation of real estate property (flat) in Guwahati City. The Income Capitalization method is not generally used for valuation of the residential flat by the registered Valuer within Guwahati Metropolitan City area. In some case valuers use both Sales Comparision Method and Cost approach Method. In case of determinants quality of construction was found to be most influencing factors in valuation. Location and accessibility were other important factors.

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 .

This chapter -5 includes the summary of the whole research study. The summary of chapters of the research have been discussed. This chapter also discusses the Major findings related to Govt. Regd. Valuers, Developers/Builders, individual flat owners and also testing of hypothesis. 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/ recommendations as a solution to the problems areas and the contribution to theory have been discussed.

5.2 Findings related to Govt. Registered Valuers:

5.2.1 Majority (53.33%) of the valuers follow sales comparison method for valuation of the property in relation to flats, which is followed by both sales comparison and cost approach method (30%). From this it could be said that majority of the valuers follow sales comparison method for valuation of a residential flat. Out of these methods, the income approach method is not used by the valuer while valuing a residential flat. On inquiry, it is found that sufficient data required for valuation of residential flat are not available as the Income approach method is used to estimate the value of income-producing properties such as apartment complexes, office buildings and shopping centres etc. The income capitalization approach can be fairly straight forward when the subject property can be expected to have a future income and when its expenses are predictable and steady.

5.2.2 It is found that the valuer gives highest rating for quality of construction (3.73) and location of the property (3.70) in valuing the property in relation to flats within Guwahati Metropolitan City Area which is followed by accessibility (3.46), infrastructure (3.26) and communication facility (3.26). From this it could be said that the quality of construction and location of the property are the most important factors in valuation of residential real estate property (flat) considered by a Registered Valuer. Though the other factors are less important, but also having influences in the estimation of the value of a real estate property (residential flat) within Guwahati Metropolitan City Area.

5.2.3 The value of Kendalls co-efficient of concordance has been found to be 0.296 which is significant at 5% level of significance. The null hypotheses is being rejected and it may be inferred that the respondents are applying essentially the same standard in ranking the 10 objects, i.e. there is significant agreement in ranking by different respondents at 5% level.

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and it may be inferred that the respondents are applying essentially the same standard in ranking the 10 objects, i.e. there is significant agreement in ranking by different respondents at 5% level.

5.2.4 It is found that 100% of the respondents have face problems often at time of valuation of Real estate property.

5.2.5 Valuer gives the highest rating for the problems faced at the time of valuation, not providing NOC for construction (4.63) and not providing sufficient documents related to the land used in the project (4.53). On inquiry it is found that in case of non-availability of the NOC for construction of building at the time of valuation the valuers face problems for which they may stop the process of valuation. Also, lack of other documents/information at the time of valuation of a real estate property (residential flat) within Guwahati Metropolitan City Area, creates considerable problems to the valuer.

5.2.6 It is found that the valuers solve the problems by making use of self-knowledge and expertise (70%) which is followed by consultation with builder   (23.33%). It is a fact that most of the valuers are academically and professionally qualified. Through their experience and self-knowledge they are usually capable of solving the problems faced at the time of valuation. In case of the problems related to the builders, valuers may consult with the builders to solve the problems.

5.3 Findings related to Builders/developers:

5.3.1 It is observed that the majority (48.57%) of the respondents finance their projects through self-finance + booking advance and others. This is followed by self-finance + bank finance which at 25.71% is the second source of finance. From this it could be said that the Builders are not usually interested to take finance from banks and other financial institutions mainly because a high amount of interest is to be paid to the bank for a long period of time which may extend up to the completion of the project and even until all the flats in the project are sold. It may lead a reduced profit margin on

the part of the builder. Therefore, most of the builders prefer to finance their project through their own resources and also by utilizing booking advance from the clients. They may also make use of other sources with lower rate of interest or without interest so that they can minimize the project cost and ensure a higher profit margin.

5.3.2 All of the respondents have taken land in shared land-owner mode. The builders/developers entered into registered agreement with the land owner with mutual understanding between the two parties with condition of development of the land against whom the builders fix the share of land owner on the project in the form of money or percentage of share of the project.

5.3.3 It is found that majority (54.29%) of the respondents have followed their own advice in the selection of the valuation method for their project. This is followed by Method of Competitors, which (22.86%) has been followed in selecting the valuation method.

5.3.4 It is found that the both Sales Comparison and Cost Approach method (42.86%) are mostly followed by the builders. The next mostly used method is Sales Comparison method (37.14%). This is followed by Cost Approach method (20%). The Income Approach method is not followed by the builders in case of residential apartment/flat.

Most of the builders followed the both Sale Comparison and Cost Approach method. Because, by applying the Cost Approach method the builders can calculate the exact total project cost and find out the unit cost of the project. After knowing the unit cost, to determine the selling price of the flats in the apartment in relation to the market price, the builders follow the sale comparison method for marketing the flats. It is clearly mentioned here that the builders/developers are not authorized person to issue a valuation certificate. They use the valuation methods only in their own interest.

5.3.5 It is found that in case of fixing price of the units the most influencing factor is quality of construction having the mean score of 3.68. The next influencing factor is

communication facility having mean score of 3.45. This is followed by third influencing factor geographic location of the property having a mean score of 3.40. These factors are being followed by other factors as per the mean score.

5.3.6 Margin is considered to be the most influencing factor in the selection of method of valuation having the highest mean score of 3.85. This is followed by next influencing factor 'recovering the cost' on the selection of method having the mean score of 3.65. These are followed by other factors with their mean score.

5.3.7 Preparation of drawing and estimation of cost and getting the NOC from the authority are the most important factors means score of 3.65) which eventually play a key role in fixing the price of flats. Also, the civil cost plays a role in fixing the price of the units. The next factor is the marketing cost with a mean score of 3.17. These are followed by other factors i.e. pre-operative cost, services & additional items, site development, supervision cost and legal expenses.

5.3.8 It is observed that majority of the respondents have been facing problem that, in relation to the valuation method, is concerned with margin (51.43%). The problem is related to technical.

5.3.9 Majority of the respondents have followed payback period method to recover the cost. The next most preferred method is Net present value method. The least preferred method is Accounting rate of return method.

5.3.10 From the analysis it has been found that the respondents had not followed any accounting standard in relation to valuing residential real estate property.

5.3.11 From the analysis it has been observed that almost all of the respondents faced problem in developing the project.

5.3.12 Majority of the respondents (51.43%) have faced problem with Approval of the project from the authority in relation to their real estate. The next problem being faced by them is Raw material (20%).

5.3.13 It is also found that majority of the respondents (91.43%) have said that they have been following the same method of valuation in relation to their real estate, which reflects the consistency in using the valuation method.

5.4 Influence of Factors on Costing of Residential Real Estate Property (Apartment/ flat):

Total Respondents = 35 Nos. of Developers/builders.

These data are collected from the developers/ builders regarding fixing the unit price of individual flats considering the following items. Generally, the developers/ builders enter in to agreement with the land owner negotiating at some percentage of the whole project which will be paid by the builder to the land owner in form of money or share of the whole project. Though the land owner becomes a share partner of the project, the cost of land has not been included in case of calculating the project cost. First of all, cost of construction of the apartment to be calculated as per the Schedule of Rate (SOR)/ approved rates by the Public Works Department, Govt. of Assam (APWD) and then add the other expenses to be incurred to complete the whole project considering the information given by the builder/ developers. After calculating the total project cost it is easy to find out the unit cost of individual flat of the same apartment and then one can fix the sale price.

5.4.1 Interpretation: Generally, the developers/ builders enter into agreement with the land owner negotiating at some percentage of the whole project which will be paid by the builder to the land owner in form of cash money or portion of the project/ building. From the analysis it has been found that 54.28% of the land owners demand their share in between 35% to 40% of the project from the developers. Some other land owners also demand their share based on the importance of the land and location.

5.4.2 Interpretation: It is found that in case of developing the project the builder / developer has to bear the cost for the Legal expenses of 0.5-1% of the total construction cost which is agreed by 51.43% of the respondents.

5.4.3 Interpretation: It is found that in case of calculation of the total cost of the project the preparation of drawing and estimating including NOC from GMDA expenses contribute 1.0-1.5% of the total construction cost which is agreed by 65.72% of the respondents.

5.4.4 Interpretation: It is found that in case of total cost of the project the connectivity expenses contribute 1-2% of the total civil cost which is agreed by 80% of the respondents.

5.4.5 Interpretation: It is found found that in case of find out the total cost of the project the Site development, Boundary wall, Gate etc. expenses contribute a maximum of 1.5-2.0% of the total civil cost which is agreed by 51.42% of the respondents.

5.4.6 Interpretation: It is found found that in case of total cost of the project the supervision expenses contribute 3.0-4% of the total construction cost which is agreed by 62.86% of the respondents.

5.4.7 Interpretation: It is found found that in case of total cost of the project the pre-operative expenses contribute 0.5-1% of the total construction cost which is agreed by 68.57% of the respondents.

5.4.8 Interpretation: It is found found that to the total cost of the project the Marketing expenses contribute 1-2% of the total construction cost which is agreed by 82.86% of the respondents.

5.4.9 Interpretation: It is found found that to the total cost of the project, the miscellaneous expenses contribute 2-3% of the total construction cost which is agreed by 88.57% of the respondents.

5.4.10 Interpretation: It is found found that in case of the total cost of the project the expenses of additional items and services contribute 20-25% of the total civil cost which is agreed by 37.14% of the respondents.

5.5 Hypothesis:

5.5.1 H_0 : There is a no significant agreement among the respondents on the ranking of different attributes.

*Inference***:** The value of Kendalls co-efficient of concordance has been found to be 0.296 which is significant at 5% level of significance. We reject the null hypotheses and infer that the respondents are applying essentially the same standard in ranking the 10 objects i.e. there is significant agreement in ranking by different respondents at 5% level.

5.5.2 H_0 : There is no significant relationship between Margin and valuation method.

*Inference***:** The correlation between Valuation method and Margin is found to be a negative correlation which is .120. The p-value is .491 which is greater than .05 and shows that the relationship is not significant. Hence null hypothesis is accepted.

5.5.3 H_0 : There is no significant relationship between price and valuation method.

Inference: The correlation between Valuation method and Price is found to be a positive correlation which is .126. The p-value is .472 which is greater than .05 and shows that the relationship is not significant. Hence null hypothesis is accepted.

5.5.4 H_0 : There is no significant relationship between competitive price and valuation method

*Inference***:** The correlation between Valuation method and competitive is found to be a positive correlation which is .077. The p-value is .659 which is greater than .05 and shows that the relationship is not significant. Hence null hypothesis is accepted.

5.5.5 H_0 : There is no significant relationship between recovery cost and valuation method

*Inference***:** The correlation between Valuation method and Recovery of cost of the real estate is found to be a negative correlation which is .084. The p-value is .631 which is greater than .05 and shows that the relationship is not significant. Hence null hypothesis is accepted.

5.6 Findings related to Individual buyers:

5.6.1 From the analysis it has been found that the basic price of the residential flat has been increasing from 2007 to 2016 from Rs. 1525.00 to Rs. 3675.00 per Sq.ft. of SBA. If the growth rate is observed it is found that highest growth in the price took place in the year 2015(15.63%) which is followed by the year 2010 (15.28%). The three ear moving average and annual growth have been shown also. The co-efficient of variation is also calculated which found to be very low reflecting consistency of price during the period of study.

5.6.2 It is found that 100% of the respondents have bought their flat through finance from the both self finance and Bank finance (i.e. own contribution with bank finance as per the Home Loan norms).

5.6.3 It is found that 50% of the respondents have bought their flat based on their self advice and 35% have bought through friend's advice. Similarly followed by other's advice.

5.6.4 It is found that the flat owners give the highest rating for quality of construction (3.65) and communication facility (3.62) in buying the property in relation to residential flat which is followed by infrastructure(3.57) and geography of land in terms of soil, flooding, other environmental matter (3.50), comfortable for living (3.37). From this it could be said that the quality of construction of the property and communication to the property are most important factors in taking the decision for buying a residential flat.

5.6.5 It is found that 26.50% of the respondents have faced problems in buying a residential flats and 73.50% of the respondents have bought their flat without facing any problems.

5.6.6 It is found that 28.30% of the respondents have faced problems in handover the Possession of flat and 18.68% face problems in Documentation, 16.98 % face problems in Specification of Construction.

5.6.7 It is found that the respondents are highly satisfied with the Price (3.62), which is followed by documentation (3.58) and quality of structure (3.57). It could be said that the respondents are satisfied with the price being paid for the flats.

5.6.8 Views of flat owners regarding several important factors related to purchasing and owning a residential flat are given below.

i) *Information to be provided by the company/builder*: When asked regarding information to be provided by the company/builder regarding the flat it was found that 56% of the total respondents 'somewhat agreed', 39% 'strongly agreed' and 5% were 'neutral'.

ii) *Ease of procedure/process for purchase of the flat*: When asked regarding the procedure/process of buying the flat from the company/builder, it was found that 62% of the total respondents 'somewhat agreed', 20.50% 'strongly agreed' and 17.50% were 'neutral'.

iii) *Improvement of the flat from booking to possession*: When asked regarding the improvement of the flat from booking to handing over the possession by the company/builder regarding the flat it was found that 58.50% of the total respondents 'somewhat agreed', 31% 'strongly agreed' and 10.50% were 'neutral'.

iv) a. *Assistance received from company/builder for financing the purchase*: When asked if the company/builder provided assistance regarding the Finance, it was found

that 47% of the total respondents were 'neutral', 37.50% 'somewhat agreed', 12% 'somewhat disagreed' and 3.50% 'strongly disagreed'.

iv) b. *Assistance received from company/builder for Registration of the flat:* When asked if the company/builder provided help for the registration of the flat with Govt. authorities, it was found that 58.50% of the total respondents 'somewhat agreed', 41.5% 'strongly agreed'.

iv)/c. *Assistance received from company/builder for obtaining NOC for sale/purchase of the flat*: When asked if the company/builder provided help in securing the required NOC for the sale/purchase of the flat, it was found that 56% of the total respondents 'strongly agreed', 37.50% 'somewhat agreed' and 6.50% were 'neutral'.

v). Fulfilling the promises by the company/builder : It was asked to the respondents in relation to Fulfilling the promises by the company/builder regarding the flat it was found that 55% of the total respondents are strongly agree, and 45% are somewhat agree.

vi) a. *Problems faced for maintenance after purchasing the flat*: When asked about problems faced for maintenance after purchasing the flat, it was found that 76% of the total respondents 'somewhat agreed', and 24% were 'neutral'.

vi) b. *Security problems faced after purchasing the flat*: When asked security issued faced by the flat owner following the purchase of the flat, it was found that 66% of the total respondents 'somewhat agreed', and 34% were 'neutral'.

vi) c. *Water supply problems faced after purchasing the flat*: When asked if the customer faced Water Supply problems after taking possession of the flat, it was found that 66.5% of the total respondents 'somewhat agreed', 27.50% 'strongly agreed' and 6% were 'neutral'.

vi) d. *Electricity supply problems faced after purchasing the flat*: When asked if the customer faced Electricity Supply problems after taking possession of the flat, it was

found that 78.50% of the total respondents 'somewhat agreed', 13% 'strongly agreed' and 8.5% were 'neutral'.

vi) e. *Car Parking problems faced after purchasing the flat*: When asked if the customer faced Car parking problems after taking possession of the flat, it was found that 66% of the total respondents were 'neutral', 17% 'somewhat agreed' and 17% 'somewhat agreed'.

vii) a. *Solving the problems through company/builder*: When asked if solving the problems through the company/builder regarding the flat were easy, it was found that 57% of the total respondents 'somewhat disagreed, 22.50% 'strongly disagreed' and 20.50% were 'neutral'.

vii) b. *Solving the problems through the Society of the apartment complex*: When asked about solving the problems through the Society of the apartment complex, it was found that 66% of the total respondents 'strongly agreed' and 34% 'somewhat agreed'.

vii) c. *Solving the problems by self*: When asked about solving the problems of the flat by self, it was found that 52% of the total respondents 'strongly agreed' and 48% 'somewhat agreed'.

viii). *Handing over the flat at the Scheduled time*: When asked whether the flat was handed over on the promised date by the company/builder, it was found that 57.50% of the total respondents 'strongly agreed', 35% 'somewhat agreed' and 7.5% were 'neutral'.

5.7 General challenges faced by valuers in respect to valuation of Residential Real Estate Property and Suggestion:

Generally speaking, challenges often encountered in valuation of residential real estate properties are not complex. However, complexity varies based on information supplied on the property to be valued. Such information requires to be dissected in order to ascertain both credibility as well as adequacy which help in

framing initial hypothesis. A relatively doubt-free initial hypothesis or presumption makes subsequent application of valuation procedure much easier.

The common challenges faced during valuation of a residential property vis-à-vis inadequate or misleading information thereof are discussed below.

5.7.1 In case of non-supply of NOC for construction:-

In absence of the NOC for construction and also of the approved drawing to the Valuer at the time of his/her engagement, verification of the exact permitted area of the building as well as deviation and/or contravention of the approved plan , if any, cannot be ascertained leading to formulation of a faulty initial presumption or hypothesis and consequently valuation of such property becomes more strenuous. Especially for middle aged and old buildings, where more often than none, the land hosting the building undergoes considerable physical change due to various factors like widening of road, partition amongst co-owners etc. This leads to another challenge as regards the application of concept of replacement cost of the building which is inherent to valuation practice and procedure.

Suggested Solution: When the NOC or the approved drawing is not available, the valuer should measure the entire floor area of the building/ apartment and then verify the constructed floor area with the permissible FAR as per the provision of the building bye law of GMDA. If constructed floor areas of the project equal to or less than the area calculated as per the permissible FAR, whichever area is less may be considered to calculate the estimated cost of the building as per the schedule of rate of APWD to find out the replacement cost of the building. In case of ongoing project the valuer should follow the Deed of Agreement as evidence of the floor area of the flat and can evaluate the proposed value by applying Sale Comparison Method. It is clarified that any building declared as unauthorized cannot be subjected to valuation as no value can be attached to an authorized or illegal property.

5.7.2 In case of non-disclosure of age of the building or misleading disclosure:-

Suggested Solution: **Suggested Solution**: Non-disclosure of age of the building or misleading disclosure can invariably lead to failure of valuation of the property especially for want of application of appropriate depreciation and therefore it is inherent for any Valuer to be absolutely circumspect to plug any possible circumvention of the valuation process. A Valuer shall enquire about the present age and expected life of the building/structure by application of any or both Primary Data and Secondary Data analysis method. The sources of Primary Data are: (i) Bank's HBL (House building loan) or project loan, (ii) Municipality assessment, (iii) New technology (Profometer 5^+ Corrosion - Half Cell Potential Meter. The prime aim of this test is to determine the level of corrosion of rebar inside the concrete to ultimately find out the already expired period of the building and the expected serviceable period of the RCC building.)

The sources of Secondary Data are ; (i) Builder's agreement (with land owner or flat owners), (ii) Owner's / builder's diary, (iii) Local investigation, (iv) Sale deed of land and (v) Observation of quality of material used.

5.7.3 In case of non disclosure of the invoices/bills of additional items fixed in to the property/ flat:-

Suggested Solution: To overcome the challenge for valuation of fittings, fixtures and such other value added luxuries/ amenities permanently attached to the building/flat, the valuer should physically verify such items and based on quality, brand and quantity etc. so verified, shall calculate the estimated cost. Thereafter, he should collect data & information from market and applying depreciation formula (Straight line method or whatsoever) evaluate the present market value of such other facilities/amenities.

5.7.4 In case of non-supply of sufficient documents related to total land area used and consequent problems faced by the valuer in calculating proportionate share of land against each flat of an apartment complex:-

Suggested Solution: It is not possible to calculate the proportionate share of land against each unit area (flat) of the apartment complex without knowing the total land area used in the project, particularly in absence of documentary evidence. In such cases, the valuers should ascertain from public documents available with the revenue authority to verify land records pertaining to the project in order to determine value of indivisible proportionate share of land attributable for individual apartments.

5.7.5 In case of non-disclosure of actual Carpet area, Built-up area and the Common area of a residential flat:-

Suggested Solution: Some builders/developers do not mention the Carpet area, Built-up area and the Common area of a residential flat, but mention in the deed only the total Super-Built-up area (SBA). Such a scenario creates a problem to the valuer to certify the measurement of the exact carpet area and built-up area or common area of a flat. Proper measurement should be done for each and every room, toilets, bathrooms, kitchen, balcony etc. separately. The net usable floor area within the outer walls which includes the area covered by the internal partition walls considered as 'Carpet area' of the flat. The Built- up Area of a Flat will be calculated as the carpet area plus the thickness of outer walls and the balcony. The Super Built Up Area will be calculated as the built up area plus the proportionate area of common areas such as the lobby, lifts shaft, stairs, etc. Sometimes it may also include the common areas such swimming pool, garden, clubhouse, etc. Again the common area for a flat will be calculated as the total common area divided by the number of units in the same apartment complex. It may not be out of context to state here that following coming into force of RERA, 2016, it is now mandatory for every developer/ builder to disclose carpet area of individual apartment.

5.7.6 Sale property and subject property generally not found to be similar with respect to date of sale, same locality, economic conditions, physical attributes and competitiveness in the same market for which it is difficult to value the unit price of the flat/apartment, as the Sales Comparison Approach uses sales prices as evidence of the value of similar properties.

Suggested Solution: The valuer should collect the information regarding the prevailing sale prices of more or less similar type of property in the locality. Considering the average unit price as a base price, the valuer should adjust by adding or subtracting the amount depending upon the cost determination factors to evaluate the value of the subject property.

5.8 Challenges faced by Builder/Developers and Suggestion :

5.8.1 Delay in obtaining NOC (No Objection Certificate) for construction: The process of project approval by the concerned authority i.e. Guwahati Metropolitan Development Authority (GMDA) / Guwahati Municipal Authority (GMC) typically takes 9 to 15 months. It causes delays in completion of the project as well as increase in the project cost. Again, the NOC for construction is issued for only one year to start the project and two years to complete the project. These timeframes are usually not enough to complete a project. The NOC will need to be renewed every year till the completion of the project for which builders may face some problems at the time of renewal.

Suggested Solution : The GMDA and GMC, the project approval authorities within Guwahati Metropolitan city, should make faster investigation, inspection and other formalities related to approval of the project and should streamlined the process by introducing a single window clearance mechanism with digital system so that the developer/ builder can get the project approval without delay. Again, the NOC for construction should be issued for three years with the provision of renewal in every year after three years from the date of issue the NOC till completion of the project.

5.8.2 Discontinuous Material Supply: Stone and Sand are the most important raw materials for construction of building. Generally the stones are supplied to the Guwahati city from the stone quarries situated at the neighbouring state of Meghalaya following the payment of the royalty and road taxes to the both States (Assam & Meghalaya). This increases cost of the stones. Again, the Sands are supplied from mainly Sonapur, Kukurmara, Chaygaon sand mahals are under control of the Forest Department, Government of Assam which issues permits to mahaldars through auction. Due to the lack of proper control on the price of sand and the royalty and road taxes the builders often have to pay higher price against the sand. Sometimes due to artificial scarcity of sand and stone the continuity of the construction work is adversely affected.

Suggested Solution: The forest department of Government of Assam should issue a special licence to the builder/ developer against every registered project considering some exemption on Royalty and other Taxes. Again the price of the sand in the mahal should be fixed by the Government Department to maintain the uniformity in price of sand.

5.8.3 Labour Problem: Most of the builders are not using the modern machinery and tools for construction works. They are totally dependent on labour and manpower. Again, most of the labour/manpower working in the construction works are from outside the Guwahati city limit. At the time of any festivals i.e. Bihu, Eid and others the labourers usually leave the construction site for a long time for which project completion may be delayed.

Suggested Solution: The builder should use the advanced technology with modern machineries to avoid the labour and manpower problems, at least partially.

5.8.4 Bye Law: Due to the restriction/limitation imposed on the real estate project as per the bye law of GMDA in case of low floor area ratio (FAR)/Floor Space Index(FSI), less ground coverage, compulsory parking space, permissible height of building, open space, Set-back, distance from the street frontage and/or boundaries of land etc. resulting in the rise in project cost of the real estate property.

Suggested Solution: The concerned authority should reconsider and make scientific rectification of the prevailing bye law considering all aspects of development of Real Estate Industry.

5.8.5 Increase of Land Value: Generally there is good demand of land in the municipal areas. Guwahati being the heart of the North East region, there is a good demand on residential and commercial real estate property for which the value of land within the Guwahati Metropolitan City area has become very high in comparison to other areas. Due to the high demand of land the builders/ developers have to pay higher percentage of the total project cost to the land owner as his share against the land for which the project cost as well as the unit price of the flat becomes high. Also, it may cause the project unviable.

Suggested Solution: The builder/developer should negotiate with the land owner carefully regarding his share of the total project. The builder/developer should estimate the total cost of the project considering the share of land owner and other expenses and ascertain the viability of the project. Accordingly, the builder should negotiate with the land owner. Secondly, the Government. should extend the GMDA area giving opportunity to builder and at the same time, by insisting that the builders must take up new projects in the extended GMDA area and in the process, create additional townships. Such steps to increase the real estate activities should be backed by providing the facilities i.e. developing roads, transportation facilities, reducing traffic congestion, and developing the amenities.

5.9 Problems / Challenges for the buyers of Residential Flat & Solution:

5.9.1 In case of transfer of possession: Most of the buyers are delivered possession of the flat much after the scheduled time mentioned in the agreement. Due to such delays, the buyers are often burdened with dual liability of additional payment of EMIs on account of loan to buy the flat as well as monthly payable to the landlord wherein they stay as tenant.

Suggested Solution: The prospective buyer should continuously evaluate the progress of construction and more importantly before entering into agreement, he/she should independently verify the credibility of the builder and also seek opinion of his/her own lawyer to ascertain right title and authority of the projected builder to construct the proposed or under-construction building and also reassure himself/herself about the contents/clauses of the agreement proposed to be executed by the builder. The prospective buyer while making payment should insist on compliance, by the builder, of the mandate of law, more specifically the RERA Act, 2016.

5.9.2 In case of Documentation: The buyer sometimes faces the problem at the time of final registration of the flat due to incomplete supply of documents by the builder. In case of bank finance there should be tripartite registration deed where the bank will be another party. The concerned bank is not ready to give the clearance for final registration without receiving the complete documents from the builder.

Suggested Solution: To avoid the discrepancy the buyer should verify the important documents before buying a residential flat: a). Title deed of ownership, b). Jamabandi, c). Mutation documents, d). Non-encumbrance Certificate, e). Updated Tax receipt, f). Sanctioned Building Plan, g). No Objection Certificate (NOC) for construction, h). Occupancy Certificate or Completion Certificate, i). Possession Certificate, j). Land use certificate/ land convert certificate k). Deed of agreement and general power of attorney in case of joint venture project, etc.

5.9.3 In case of Construction: During the course of construction prospective buyers, who are often without knowledge of civil construction, are often found to be clueless both in respect of compliance of the approved plan as well as general qualitative aspects of materials being used in the construction.

Suggested Solution: It is inherently incumbent, most specifically, upon the authority issuing the NOC for construction to periodically supervise construction to ensure diligent compliance of approved plan which will alleviate subsequent complicacies which more often than none gravely prejudiced.

5.9.4 In case of Bank/Institutional Finance for Purchase of Real Estate Property:
Save and except land or construction of house/premises upon self-held land, advancing credit in case of apartments poses peculiar challenges. Normally a builder enters into an agreement with the land owner primarily on condition that in lieu of proposed agreed number of apartments for the land owner the builder shall have the right to transfer such other apartments to other prospective buyers. It is generally not the case that builder pre-purchased the land before embarking upon construction of apartments so therefore title and ownership continue to remain vested upon the land owner. The instrument of power of attorney is generally executed by the land owner appointing the builder as his attorney to do such deeds and acts on his behalf for the purpose of diligent compliance of the agreement which inter alia means that power to transfer proposed apartment to individual buyers is dependent on compliance of the agreement and therefore such power to transfer is not absolutely vested upon the builder. Under such circumstances creating mortgage or security which is virtual vis-a-vis non-existence i.e., an apartment which is only proposed to be constructed is in fact not in existence and the same is sought to be offered for creating mortgage and as such financial institution and banks show a general tendency to be over cautious in dealing in such matters resulting in a genuine prospective buyer stands to suffer on account of delay and multiple documentation requirements. Further, noncompliance of any terms and conditions in the agreement between the land owner and builder, by any of the parties may result in litigation which invariably affects the prospective buyer. Needless to mention, it also affects the financer.

Suggested Solution: Fast growing cities throw major challenges in providing affordable housing especially to middle and lower income groups and as such the concept of apartments is undeniable considering the high cost of land. Law relating to real estate specially in metropolitan cities requires a fresh look to minimize suffering by prospective buyers of apartments. Since this exercise is not targeted at evaluating the discrepancies in the practice and procedure pertaining to revenue matters no comment is being offered on these aspects. However, during various interactions with bank officials, builders, prospective buyers, the author of the present thesis has sensed

an urgent requirement of a mechanism to protect the parties from probable financial loss which they face normally for no fault of their own. The researcher feels that the way a loan is insured vis-a-vis the unexpected death of beneficiary of the loan, his heirs are indemnified against repayment of the outstanding amount. Similarly, a mechanism should be put in place to hold the indemnified the parties from financial burdens of the loan, be it as a debtor or creditor, on account of contingencies beyond their control.

5.10 Contribution to Theory:

Valuation of real estate property is fought with various complexities. 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'. In this context valuation of the virtual property (which are not ready in physical form at the time of finance) pauses 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 this aspects.

There are three methods for valuation of real estate property i.e. Sales Comparison Approach Method, Cost Approach Method, Income Capitalization Approach Method which are traditionally available for practice.

From the study, it has been found that majority of the Registered Valuers apply the Sale Comparison Method for valuation of residential flats within the Guwahati Metropolitan City.

An interesting fact has also come out that the valuers apply the both methods i.e. Cost Approach and Sale Comparison in many cases where a single method is not in use. Again, the builders/developers follow the combination of Sale comparison method and cost approach method for fixing the Unit price of the residential flat. The

reason for selecting this approach, as the instant study has found, is that under this method it is easier to fix the suitable price of the flat which is otherwise reflection of arbitrariness on the part of the builders.

Considering the commercial interest pivotal, the builders more often than more, prepare an estimate of actual cost before venturing in to the project. The estimated cost so to be determine per initiation of the project, the value of land vis-a-vis land owner share as well as cost escalation during the project are inherent an intrinsic consideration followed by the builders/developers. Above the cost so estimated the expected margin of profit and additional cost due to unforeseen at of nature as well as acts affecting the project which are beyond the control of the builders are added to determine the unit price of Apartments. Comparing with prevailing market price with such expected cost the viability of the project is determined. It has also be noticed that may builders/ developers, in order to influence such viability introduced innovative ideas and add additional services/ amenities to further augment value to woo the prospective buyers.

The Income Capitalization method is not generally used for valuation of the residential flat by the registered Valuer within Guwahati Metropolitan City area.

In relation to factors influencing the valuation of real estate the research study has also found that quality of construction is the most influencing factors in the valuation of the real estate. Location and accessibility are also considered to be other important factors influencing the valuation of the real estate for the valuers.

The builders/developers also use to give more importance to quality of construction in fixing higher price for the real estate. Other important factors are geographic location of the property and access ability for real estate.

One of the major grievances of the builders/developers, this study has come across that competent authority does not always show promptness in acting upon proposal for consideration and resultantly delays approval of projects which also affect cost eventually.

The builders/developers, baring exception undertake their project on land owned by others. The general practice, as this study reveals that the builders/ developers instead of buying out right the land, enter in to agreement on terms and conditions mutually agreed upon. Such terms and conditions mostly revolves around number of apartments vis-a-vis share percentage of total carpet area of the apartments to be provided to the land owner which such facilities and amenities in lieu of the plot of land and the builders/developers is given authority/power to sale such other apartments/flats to be constructed in addition to agreed share of land owner and for which a deed of power of attorney executed by the land owner appointing the builder/ developer as his attorney to enter in to agreement, Sale etc. to other prospective buyer on his behalf. This arrangement is very fragile considering that any subsequent dispute between the land owner and builder inherently affect the interest of prospective buyer as well as mortgagee or financer or creditor to such prospective buyers.

Most of the buyer bought their residential flat through Housing Loan Scheme on which the owner contributes his own share along with the Bank finance as per the bank norms. During the buying of real estate Individual buyer have faced some problems which are delay in possession, problem in registration due to incomplete supply of documents by the builder etc. Because of which the buyers had to take additional burden of double payment of rent as well as the EMI for the home loan.

Valuation of real estate and the pricing of real estate are related. Proper valuation of real estate gives a right value or price to the property which would be able to give a justifiable compensation to the party who pay for it.

5.11 Scope for Further Research:

5.11.1 It may be extended to the valuation of commercial property within Guwahati Metropolitan City Area.

5.11.2 It may be extended to the valuation of Industrial property within or outside of Guwahati Metropolitan City Area.

5.11.3 It may be extended to the valuation of Combo property where both commercial and residential activities going on in a same building within Guwahati Metropolitan City Area.

5.11.4 The study on valuation of real estate property could be extended to the other parts of the country apart from the Guwahati Metropolitan City Area.

5.11.5 The research can be extended to the study of investment on real estate property within Guwahati Metropolitan City area. It could be extended to Real Estate Pricing, buying behaviour of Real estate property etc.