

To Study of Valuation of Commercial Mall – A Case Study of Nashikcity

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ABSTRACT:

Commercial malls are essential to the retail and commercial real estate sectors because they operate as thriving centres for socialising, shopping, and entertainment. For investors, developers, lenders, and other parties involved in the purchase, financing, and operation of these properties, evaluating commercial malls accurately is crucial. This study article seeks to present a thorough review of the commercial mall valuation process, including the many methodologies, methods, and important factors involved. Stakeholders may optimise their investment plans and make well-informed judgements by identifying the technicalities of mall valuation.

Key Words: Commercial property, Fair market value, Valuation, Depreciation, Realisable value, Distress value, Finance, Ready Reckoner Rate, Government Guideline Value

I. INTRODUCTION

The property's structure, age, maintenance history, location, and other factors can affect its market value. Most financial transactions, including those involving purchasing, selling, borrowing, and mortgages, are based on economic worth. A property appraisal is normally carried out by an impartial valuer or estate agent at the request of the seller or a finance company. Buyers who are considering making a purchase may request a valuation estimate in addition to structural evaluations that assess the property's physical condition. Before authorising a mortgage or refinancing, a lending institution (such a bank) could request a valuation to ensure that the loan can be repaid using the security value of the property. They may lend the money with confidence, knowing they can sell the property and recover any unpaid mortgage obligations. Sale of the property. In order for the assessment to be as fair and accurate as possible, the property will often be compared to other comparable houses in the

vicinity. Valuers will consider zoning, ordinances, and planning restrictions from the Council. In addition, factors including the neighbourhood's desirability, market demand, and amenities (such as schools, hospitals, Green spaces, and so on) should be considered. The Land Registry, which updates home prices in various regions each month, is another source of information used by valuers.

II. LITERATURE REVIEW

• **Kumar, V., & Dutta, A. (2018).**

Valuation of shopping malls in India: A comparative study of income capitalization and discounted cash flow methods. *Journal of Real Estate Valuation*, 14(2), 143-160.

This study focuses on the valuation of shopping malls in India, comparing the income capitalization and discounted cash flow methods. It examines the applicability and effectiveness of these methods in the Indian context and provides insights into the factors influencing mall valuations in the country.

• **Chakraborty, P., & Datta, M. (2019).**

Valuation of commercial real estate: A study on shopping malls in India. *Indian Journal of Finance*, 13(8), 35-48.

This research paper explores the valuation of shopping malls in India, with a specific focus on the income capitalization approach. It examines the key factors considered in mall valuation, such as location, tenant mix, and rental income, and discusses the challenges and opportunities in valuing commercial real estate in the Indian market.

• **Nagpal, V., & Khurana, S. (2017).**

Valuation of commercial properties: Case study of a shopping mall in India. *Journal of Commerce and Accounting Research*, 6(3), 1-13. This case study investigates the valuation of a shopping mall in India using the income capitalization method. It analyzes the various factors affecting the mall's value, including rental income, operating expenses, and market conditions. The study provides insights into the practical application of valuation

techniques in the Indian commercial real estate sector.

Khan, F., & Rastogi, N. (2019). A study on factors affecting the valuation of commercial properties in India. International Journal of Research in Finance and Marketing, 9(1), 1-14. This study examines the factors influencing the valuation of commercial properties, including shopping malls, in India. It analyzes variables such as location, demand and supply dynamics, rental yields, and market trends. The research aims to enhance the understanding of commercial property valuation in the Indian context.

III. METHODOLOGY

To identify the market value of the property for bank financing reasons, the research activity started with a review of various valuation procedures and historical valuation report data gathered from government-authorized valuers. Legal Documents related with real estate, such as occupation certificates, architectural plans approved by the municipality, sale deeds, 7/12 extracts, CTS extracts, and declaration deeds, among others, are examined. We employed the land and building technique to determine the fair market value of properties for our investigation into the valuation of commercial assets. The land and building approach is the addition of the independently computed current values of the land and building, which provides the final value of the property.

A] FUNDAMENTAL PRINCIPLES OF VALUATION

- Value changes with respect to purpose.
- Value is a function of place, purpose, and date.

B] VALUATION PURPOSES

- Buying
- Selling
- Mortgaging with banks
- Insurance purpose
- Compensation for land acquisition
- Income Tax - Cost of construction & Capital gains
- Court
- Visa
- Rent fixation
- Arbitration
- Partition, Settlement, WILL
- Amalgamation and separation of companies, etc

C] Documents Required For Commercial Property Valuation

- 7/12 extract of the property

- NA Order
- Building Plan Authorized from local Government Authority like Municipal corporation etc.
- Commencement certificate
- Occupancy Certificate
- Sale Deed Copy
- Housing tax receipt
- Electricity bill
- Water bill receipt

D]

PROCEDURE TO BE ADOPTED WHILE DOING BANK VALUATION

- Verify the legal documents from panel Advocate
- Inspect the property physically with property owner & bank manager
- Prepare the valuation report carefully

E] Basic Guidelines a valuer must remember

- Value changes according to purpose
- Value changes with place, objective & time
- Price is policy, cost is fact & value is opinion
- Approved drawing plans play important role in valuation
- A valuer must be keep in mind “ there is no absolute valuation”

F] The following formula is used to determine a property's value:

$\text{Fair Market Value} = \text{Land value} + \text{building value} + \text{amenities, and services}$

The following situations are common ones where this method is employed:

- Regarding privately owned property.
- In the case of a property that is more than 60% inhabited by renters and 20% by owners.
- When obtaining a fair and manageable rent is impossible.
- The land value of a property is affected by its size, form, location, frontage, amenities, utilities, FAR/FSI, road width, as well as adverse factors such slum areas, dumping sites, Nala, etc.

Definations

Fair market value = A property's "fair market value" is the price that, in the opinion of the valuation officer, it would fetch if it were to be put up for sale on the open market on the valuation date. The phrase "distress value" to refer to any

amount that is between 80% and 90% of fair market value.

IV. CASE STUDY

Property detail

1. Location of property: - Survey no. / Gat no. : S. no 747/1/2+748+748/A/1/2+749
2. Block / Plot: Plot no. 117 to 133, Final Plot No. 529. Nashik.
3. Taluka, Dist.: Nashik, Tal. Dist. Nashik.
4. Type of Property: RCC Structure

Description	Area (sq.mt)	Market rate per sq.mt	Estimated market value	Govt. Guideline Rate (Rs.) (per Sq.mt)
Land	24460.12	Rs.45,800/-	Rs.01,12,02,73,496.00 /-	Rs25,400/-
B/up	41050.82	Rs.19,500/-	Rs.80,04,90,990.00	Rs26,620/-
Total value			Rs.01,92,07,64,486.00	
Realisable value (90%)			Rs.01,72,86,88,037.00	
Distress value (75%)			Rs.01,34,45,35,140.00	

V. RESULT AND DISCUSSION

The purpose of this research is to examine the value of commercial and By doing a case study based on commercial buildings the findings of this investigation are shown below;

- On-site property document verification is really necessary.
- Market rate of property is different from government rate of property.
- Market rate of land is increases by day by day B/Up Rate Of Property Decreases Due to depreciation.
- The value of property depend on the locality, infrastructure development in surrounded area, quality of construction & frontage of property
- The ambience of building also important factor in valuation of building

VI. CONCLUSION

As a result, this study teaches us how real estate is genuinely valued in reality. Since real estate is utilised as security for loan advances, the financial institutions need to know the actual market value of the security pledged for a mortgage. The market value of the property is determined by real estate valuers. Financial organisations must understand the basics.

REFERENCES

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