IOV TIRUCHIRAPALLI

TRAINING PROGRAMME NO. 2

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VALUATION OF APARTMENTS

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Chapter 1 – Apartments

1.0. Introduction

An apartment, or a flat, is a self-contained housing unit (a type of real estate) on a single-storey or multi-storey that occupies a part of a larger building with several units.

The term "apartment" can be generically applied to any individual portion inside a building complex. The building can be a house, a large residential building, and even a condominium (a flat or block of flats owned by the people who live in them) high-rise, where multi-dwelling or commercial or office space units are provided.

Every local authority and municipal corporation prescribes rules, bye-laws, and regulations for development and construction within its jurisdiction. Important provisions in the building bye-laws are floor space index, open space & setback rules, and road width and height restrictions. These provisions make a direct influence on the market value.

The market of the land will be less for those used for residential purposes and higher for commercial purposes. Because of the income-generation nature of commercial properties, their market value is more.

1.1. Apartment types

1.1.1. A gated community is a form of a residential community with many blocks or housing estates containing strictly controlled entrances. Gated societies have specific boundaries and are well-guarded. Hence, they offer the benefit of safety and security. Most of them have a few defined entrance and exit points.

1.1.2. Villa is an independent/standalone house that comes with a yard or veranda. These are usually in areas where there are other villas as well. Similar houses or villas in the same locality make the owners feel togetherness with the privacy that bungalows promise. Villas are situated on pre-demarcated

plots in exclusive housing colonies, where people from similar strata of society reside in gated communities.

1.1.3. A duplex house plan has two living units attached, either next to each other, or above each other like apartments. A vertical duplex dwelling with a two-storey joined internally by stairs or duplex refers to two separate units horizontally adjacent, with a common segregation wall,

1.1.4. Penthouse is an apartment located on the top floor of a high-rise apartment building**.** A single multi-storeyed apartment building where three or more residences are contained within one structure.

1.1.5. Mixed-use buildings combine commercial and residential uses within the same structure. Typically, mixed-use buildings consist of businesses on the lower floors and residential apartments on the upper floors. Shop and Office space commercial and residential uses within the same structure.

1.2. Terminology used in apartment valuation

1.2.1. Sale deed of UDS of land / Builder's agreement

It is a conveyance executed by the promoter/ power agent to the prospective purchaser for the proportionate UDS of land for the purchase of a flat unit in the project concerning a super plinth area on the respective floor. This deed is registered as a sale deed in the registration department.

Builder's agreement is the agreement executed by the Promoter of the apartment for the construction of the saleable super built-up area for the proposed flat unit on the respective floor in the project containing terms with the technical specification and price of the flat unit, the mode of payment, and the period of completion of the project. It may be noted that,, without a builder's agreement document, the UDS of land alone cannot be sold or mortgaged to the financial institutions.

1.2.2. Super plinth area / super built-up area of the apartment

The super plinth area signifies the saleable area of an apartment. The super plinth area represents the plinth area of the apartment added to the

proportionate common areas facilities provided within the campus of the project.

1.2.3. Common areas of the apartment

The term common areas are the facilities provided within the project for the proposed owner or purchaser attached to the subject flat in an apartment.

The common area facilities are treated as amenities provided in the apartment campus for the enjoyment of the rights and interests of common areas within the project campus. These common area facilities may vary on the nature of the project like the residential apartment, shop, or office space in a commercial complex. The common area facilities are:

- The staircases, lifts, staircase and lift lobbies, fire escapes, and common entrances and exits of buildings,
- The common basements, terraces, parks, play areas, open parking areas, and common storage spaces,
- The premises for the lodging of persons employed for the management of the property including accommodation for watch and ward staff or the lodging of community service personnel,
- Installations of central services such as electricity, gas, water, sanitation, air-conditioning, incinerating, water conservation & renewable energy systems.
- The water tanks, sumps, motors, fans, compressors, ducts, and all apparatus connected with installations for common use;
- All community and commercial facilities as provided in the real estate project;
- All other portions of the project are necessary or convenient for its maintenance, safety, etc., and in common use.

1.2.4. Approved plan

Sanctioned plan means the site plan, building plan, service plan, parking & circulation plan, landscape & layout plan, and zoning plan and includes structural designs, environment & fire safety permissions approved by the competent authority before the commencement of a project as per local town planning act.

1.2.5. Floor Allotment plan

Refers to a sketch showing the location of the specific unit of the apartment in respect of the floor proposed to be sold by the promoter to the proposed buyer of the individual flat in a specific block in the apartment project.

1.2.6. Individual flat plan

Represents a detailed plan confirming the internal layout of a specific apartment unit for the proposed purchase by the buyer.

1.2.7. Carpet area

Carpet area means the net usable floor area of an apartment, excluding the area covered by the external walls, under services shafts (OTS) , exclusive balcony or verandah area, and exclusive open terrace area, but includes the area covered by the internal partition walls of the apartment;

1.2.8. Composite Rate

Composite Rate means a combined single unit area rate of the building rate in an apartment module scheme by adding the value of the proportionate undivided share of land.

Both the values of the proportionate undivided share of land and the building are assessed separately and added together for a single unit area rate in terms of the building rate.

1.2.9. Floor space index (FSI) or Floor area ratio (FAR)

Floor space index (FSI) or Floor area ratio (FAR) is the ratio of the floor area in a building to the area of the plot on which it stands.

It is often used as one of the regulations in city planning along with the building-to-land ratio.

The terms can also refer to limits imposed on such a ratio through zoning.

$$\text{FSI or FAR} = \frac{\text{Total area of the building}}{\text{plot size}}$$

Example 1. 1500 square feet building stands on a 1,000-square feet plot.

$$\text{FSI or FAR} = \frac{\text{Total area of the building}}{\text{plot size}} = \frac{1500}{1000}$$

Example:

In a specific place, the permissible FSI is 2.00 for a land area of 10000 square feet, and the building construction is limited to a maximum of

Land area	10000 sqft
FSI permissible	2.00
Allowable area of building construction 10000 x 2.00	20000 sqft

1.2.10. Undivided share of land

Undivided shares or UDS means a portion of land owned by the buyer of an apartment in a residential complex on which the entire structure is built. Each flat built on that particular land will own a portion of the land, but there will be no discrete periphery limits.

It refers to the land area conveyed by the developer of the project to a proposed purchaser of the apartment by a registered sale document. Wherein the sale deed is conveyed, a portion of the entire land (the undivided share of land) is allotted to the purchaser.

This UDS of land will be regarding the FSI achieved in the total development of the land.

$$\text{Undivided share of the land} = \frac{\text{built-up area of the unit purchased}}{\text{FSI}}$$

Example: Area of the Apartment purchased	1600 square feet
FSI of the project	1.75
Undivided share of land conveyed	914.29 square feet

# # #

Chapter 2 - Valuation methods

2.1. There are many methods of valuation to determine the market value of an apartment. The methods vary with the purpose of valuation. These also vary for the use and type of development like a multi-dwelling or commercial or office space. Some of the methods are:

- ❖ Comparable sales method
- ❖ Investment or Income Capitalization Method.
- ❖ Development Method (Residual Techniques)

2.2. Comparable Sales Method

The sales Comparison Method is based on the Principle of Comparison and Value Substitution. The difference in value attributes concerning the price and quality of similar properties has to be investigated. A suitable discounting factor must be applied for a specific property. It will often be necessary to make adjustments based on this comparative analysis. Those adjustments must be reasonable and valuers must document the reasons for the adjustments and how they were quantified.

2.2.1. IVSC 2022 - The key steps in the comparable transactions method are:

(a) identify the units of comparison that are used by participants in the relevant market,

(b) identify the relevant comparable transactions and calculate the key valuation system of measurement for those transactions,

(c) perform a consistent comparative analysis of qualitative and quantitative similarities and differences between the comparable assets and the subject asset,

(d) make necessary adjustments, if any, to the valuation metrics to reflect differences between the subject asset and the comparable assets

(e) apply the adjusted valuation metrics to the subject asset, and

2.2. 2. Factors of adjustments

A valuer should analyze and make adjustments for any material differences between the comparable transactions and the subject asset. Examples of common differences that could warrant adjustments include:

- Material characteristics (age, size, specifications, etc),
- Restrictions on either the subject asset or the comparable assets
- Geographical location and situation
- Related economic and regulatory environments,
- Profitability or profit-making capability of the assets
- Demand and supply
- yields/ interest rates
- unusual terms in comparable transactions, (gift, auction, relative/ company/friend sale)
- Ownership characteristics legal form of ownership, amount % age held).

Some of the most common adjustments made in the market approach are known as discounts and premiums.

(a) Discounts for Lack of Marketability should be applied when the comparables are deemed to have superior marketability to the subject asset.

(b) Control Premiums participants' willingness to pay a Control Premium will generally be a factor of whether the ability to exercise control enhances the economic benefits available to the owner of the subject asset.

(c**)** Blockage discounts are sometimes applied when the subject asset, such that an owner would not be able to quickly sell in the public market without negatively influencing the market price. (Example: Stigma factors, Racial habitation, Religious and personal factors)

2.3. Methods of valuation for comparable sales

The methods of sales comparison methods are:

- Ad-hoc Comparison Technique (Hedonic Pricing Model)
- Adjustment Grid Model
- Weightage Store System of Valuation

2.4. Ad-Hoc Comparison Technique (Hedonic Pricing Model)

This is a common and popular method in sales comparison method. Under this model, the price of the property is expressed by the formula:

P = f (STLA)

P = Market price of the property

f = stands for the function of

S = Size or covered area of the premises

T = Time factor at which the asset is traded in the market

L = Location of the property (demand & supply, civic amenities)

A = Age or physical conditions of the property

2.5. Adjustment Grid Model & Evaluation Grid

The proper weightages of each attribute should be ascertained from an analysis of sale transactions in the real estate market. There is no hard and fast rule in applying percentages as ad-hoc.

Step 1: Now, all the comparables, attributes with ranks, and the subject property is placed in the evaluation grid. Here also, there is no regulation in ranking.

Step 2: Next, the rank of each attribute of the comparable is compared with the rank of the said attribute of the subject property and positive or negative weightages are given.

Step 3: The rank of the attribute of a comparable negative weightage is given whereas an inferior rank of the attribute of the comparable positive weightage is given.

Step 4: Then all weightages of all the attributes of each comparable are summed up to find the resultant effect on the sale figure of each comparable.

Step 5: The finally adjusted sale figure of the comparable is then considered for arriving at the value of the subject property.

2.6. Weightage Store System of Valuation

Adoption of Weightages: Land has innumerable characteristics of attributes. These attributes can be the deciding factor to have the precise market on the property value.

When comparing the sales instances these attributes decide the market value of a specific property. These attributes will be ad-hoc and would change from locality to locality depending upon the local market.

Therefore, a detailed market study and surveys and appropriate local inquiry on these attributes before deciding on the market value have to be done.

Again, these attributes are based on the economic, physical, social, and legal factors viz. location, size, time aspect & age, and physical state of the property.

In most cases, however, valuers generally consider four principal aspects of real estate and make an ad-hoc comparison between them to arrive at a valuation conclusion.

The first step is to collect suitable comparables as far as possible within the same locality and as similar to the subject property and recent sale transactions as possible and compared them with those of the subject property.

The comparison is carried out by weighing positive weightages and negative weightages.

The market value of the subject property is derived from positive and negative factors over the rate of the comparable unit.

All the positive weightage on social, economic, and physical factors are added to the evidentiary market rate to get a true picture of the market rate for that subject asset.

The negative weightage on social, economic, and physical factors can be deducted from the evidentiary market rate.

All the positive and negative legal factors must be recorded towards and for the marketability of the subject asset in the report.

Assumptions have to be made for the Increase/decrease in value towards attributes of subject land:

2.7. Specific points to be considered for valuing real property interests

(a) the type of interest providing the price evidence and the type of interest being valued,
(b) the respective locations,
(c) the respective quality of the land or the age and specification of the buildings,
(d) the permitted use or zoning at each property,
(e) the circumstances under which the price was determined and the basis of value required,
(f) the effective date of the price evidence and the valuation date, and
(g) market conditions at the time of the relevant transactions and how they differ from conditions at the valuation date.

There may be many weightage adjustment factors for a particular property in comparison. The valuer must understand the weightage adjustment factors based on the site inspection and adopt suitable factors of adjustment.

2.8. Development Method (Residual Techniques)

a) Actual Sales Basis (Owner/tenant occupied)
b) Hypothetical Building Method (Ownership/income concept)

1. In the sale comparison method a direct comparison of market value is determined. This method is an indirect manner of deriving land rates from sale transactions or the land value is derived indirectly.
2. If a property is fully developed or under-utilized or of inferior use, to get best and high use, and where there are no prior sale instances available (Example: commercial/industrial / non-availability of plots sales - there may not be many sale instances available) for a direct comparison, to find out the land rate, these types of residual techniques are used.
3. In cases, where sales of developed properties are available, this indirect method provides the probable land value in the locality. In cases, where

residential apartment composite rates are available, this residual technique can be adopted to find out the rate for the land component.

4. For apartments, the outgoings towards the promoter's profit, architect fees, interest components, plan approval charges, FSI stipulations, development charges, etc. have to be ascertained.

5. If it is a tenanted or leasehold property, then the land is arrived at with the help of the rental income method and by cost approach method.

2.9. Sales data collection sources

- ✓ Sales recorded in Registration Departments
- ✓ Local broker / real estate agents
- ✓ Newspaper advertisement
- ✓ Land acquisition cases, Auction sales information & Data bank by valuers' fraternity

2.10. Details that have to be collected

- ✓ Area of the plot as conveyed, and as per revenue records
- ✓ Approved / unapproved plan area
- ✓ Area of the plot as shown in an approved plan
- ✓ Area of the plot as per the actual survey by the valuer
- ✓ four boundaries Correlation concerning all above
- ✓ Buildings technical details: Layout, design, internal planning, construction type & method, specifications, floor area, age, and obsolescence, etc.

2.11. Analysis of data collected

- ✓ Marketability of property
- ✓ Location of the subject property
- ✓ Size of the property: frontage, depth, shape, facing direction, local body regulations on land use, FSI, and other contrary attributes
- ✓ Property may be a tenanted or leased out or Mortgaged property
- ✓ The property's rental income might have been frozen under the rent control act

2.12. External characteristics

- ✓ Location of the property- This gives accessibility to roads, services, public open spaces, proximity to amenities or undesirable features, etc.
- ✓ Neighbourhood characteristics - Use zoning or other restrictions by planning authorities, presence of slums, social aspects, historic aspects 'amenities, etc.
- ✓ Transactional characteristics - One-time payment, stage payment, time aspects, etc

2.13. Analysis of data of collected from Comparable sale

- ✓ Excess Amount paid on the parallel economy aspect
- ✓ Sale - a distress sale as per comparable sale instance
- ✓ Sale - premium or speculative value paid as per comparable sale instance
- ✓ Comparable sale property - for a larger plot, too far away from this subject property
- ✓ Comparable sale not done at arm's length (by gift, to relatives)
- ✓ Comparable sales take place much earlier– the time factor

2.14. Factors for determination of unit composite rate

- ❖ Demand for the sale of apartments
- ❖ Supply mode - Available flats for sale in that area
- ❖ Project Location
- ❖ FSI permissible / FSI consumed
- ❖ Plot coverage
- ❖ Approval by Local Planning Authorities / Town Planning Authorities
- ❖ Deviations as per approval plan (on SBA/ internal plan)
- ❖ Violations of any (Floor / Unit / FSI)
- ❖ Corpus fund
- ❖ Association monthly maintenance payment
- ❖ Total number of blocks

2.14.1. Individual Flat

- ❖ Location – front / middle / rear
- ❖ Block / corner / middle / facing /direction
- ❖ Floor / corner / middle / facing /direction
- ❖ Common area percentage
- ❖ Car parking facility
- ❖ Children play area
- ❖ Swimming pool / Health club
- ❖ Specification & services
- ❖ Maintainance & repairs
- ❖ Future life of the building (Year of construction)

2.15. Valuation Procedure

- ❖ Collection of suitable comparables as far as possible within the same locality and as similar to the subject property and recent sale transactions as possible will be the first step.
- ❖ The comparison is carried out by weighing positive weightages and negative weightages.
- ❖ Derivations of the market value of the subject property will be with positive and negative factors over the rate of the comparable unit.
- ❖ Suitable additions or deletions can be made over the prevailing documentary evidentiary market rate with the credit score rating.
- ❖ This will reflect the real market value and we can defend diligently our value with more accuracy.

2.16. Investment or Income Capitalization Method.

1. Collection of sale & Rental instances – Similarity in character, proximity to the subject property, amenities, advantages, and sale date of the transaction or rental details.

2. Analysis of sale instances – the process of estimating the rate of interest yielded by a property from its sale transaction.

3. Inspection of property, sale & rental instances – To collect data and information on aspects: Physical & Technical, Legal, Social, and Economic aspects

4. Estimation of Fair Rent of the Subject Property – Comparing with the rental instances to estimate its Fair Market Rent, Gross Annual Rent, and Net Annual Income.

5. Selection of Interest rate for capitalization – Comparison of Subject Property with Sale Instances to select a suitable Interest Rate for capitalization. Compare the Interest Rate selected for capitalization with Economic Indices to estimate the final Interest Rate for capitalization.

6. Sales Comparison for selection of suitable interest rate & Compare Interest Rate selected for capitalization to estimate final Rate of Interest for capitalization

The remunerative rate of interest is inversely proportional to the security of investment. Lessee's interest in the property is considered less secure than the interest of the lessor's interest. Hence capitalization rate for the lessor's interest is taken 1 % less than the rate of capitalization for the lessee's interest.

7. Estimation of Capitalized Market Value of property

Gross Annual Rent = rent per sq. M. x Built-up area

Net annual income = Gross Annual Income – Outgoings

Y. P. = 100 / Estimated Rate of Interest

Capitalized Market Value = Net Annual Income x Y. P.

8. Estimation of Market Value – Market Value = Capitalized Market Value less (immediate repairs cost+ taxes unpaid + pending liabilities)

2.17. Hypothetical Building Scheme

By adopting a hypothetical building to be proposed in the property, the sale value of the proposed flats/shops can be derived.

The sale value will be inclusive of profits, interest components, construction costs, outgoings, and management expenses for the implementation of the project, etc. After adjustments, the net proceeds will be taken as hypothetical

building costs. The land component can be determined from the sale proceeds after deducting the hypothetical building cost.

In case of properties are considered for redevelopment as shopping/ office/ malls and others subject to the assumption of rental income or profit, this method can be adopted both by income and cost approach methods. The profitability of the development project is based on the Probable rental income receivable from redeveloping the property.

The same can be reviewed, if it is a tenanted or leasehold property, then the land has arrived with the help of the income approach method. The following basic elements require consideration in any application of the method to estimate the market value of development property and if another basis is required, alternative inputs may be required.

(a) Completed property value

(b) Construction costs

(c) Consultants fees

(d) Marketing costs

(e) Timetable

(f) Finance costs

(g) Development profit,

(h) Discount rate.

2.18. Joint Venture Development

It is defined as the development of a property where the land and building components are from two different persons and they join together for the execution of property development.

The existing property may be can be converted into a new one for various purposes. The existing property may be vacant land, an old building is existing on the property or the current usage of the property is not in tune with the latest regulations or the property owner wants to get the highest and best use of the property for getting a higher income from the property. This method is

applicable in the case of residential apartments and commercial complexes and malls.

The land owner wants investment to be made in the property for conversion, he may get the assistance of a person who can invest the money and develop the property. The person who is investing the money is called the developer of the property or is otherwise called a promoter. The promoter joins with the property owner (land owner) and they jointly promote the project. Both the land owner and promoter get a share of money proportionately for the investment made by them. This is called a joint venture ratio. This ratio is normally represented in terms of the Promoter's share: the landlord's share.

In the joint venture agreement, the factors deciding on the aspects are:

- Demand
- The prevailing market of land
- Location
- FSI
- Usage (commercial, residential)
- Building specifications.

2.19. Joint venture ratio:

2.19.1. For the landlord

Landlord gets his share of the investment made based on the prevailing land cost component. The promoter gets his share of the building components.

The land rate is determined based on the local market rate and the construction rate is defined by the specification of the proposed building. In these types of joint venture projects, the share of the landlord will be more, if the prevailing market rate of land is more.

But every local authority and Municipal Corporation prescribes rules, area classification, bye-laws & regulations for development and construction within its jurisdiction.

If the plot is on the main road, it is sensible for the landlord and developer to go for a commercial and residential complex to get a higher profit.

If the locality is classified as commercial cum residential by the local corporation, the marketability will be better, and getting a construction plan sanction is not difficult at all. If the property is located at lesser width of the road, the permissible FSI may be less or it may not be achieved.

So, the building bye-laws or development control rules affect the market value of the land. Important provisions are FSI / FAR, open space rules, and height restrictions. With the open space requirement and set back rules, prevent from consumption of using FSI fully. This provision reduces the market value.

The market of the land will be less for those used for residential purposes and higher for commercial purposes.

2.19.2. For the promoter

For the promoter, his share is based on the area of construction, nature of permitted usage of the building, period of construction, and technical specifications of the construction. The share of the promoter will be less than the land component if the land component value is more.

The sale value will be inclusive of profits, interest components, construction costs, outgoings, and management expenses for the implementation of the project, etc. After adjustments, the net proceeds will be taken as hypothetical building costs.

The outgoings towards the promoter’s profit, architect fees, interest components, plan approval charges, FSI stipulations, development charges, etc. have to be ascertained.

# # #

Chapter 3 - Valuation reports

3.1. Valuations of apartments may be required for different purposes. It is the valuer's responsibility to understand the purpose of a valuation.

The following necessities are generally essential while preparing the reports.

(a) the estimated market value on completion is based on values that are currently on the valuation date on the special assumption the project had already been completed following the defined plans and specifications, or

(b) the estimated value on completion is based on the special assumption that the project is completed under the defined plans and specifications on the anticipated date of completion.

Market practice and the availability of relevant data should determine which of these assumptions is more appropriate. Ensure that consistent assumptions are used throughout the residual value calculation,

3.2. Checklist for valuation of a apartments

(a) the market potential for the proposed development

(b) the proposed development is HABU in the current market

(c) any non-financial obligations (political or social criteria)

(d) legal permissions or zoning, - conditions or constraints on permitted development

(e) limitations, encumbrances, or conditions imposed

(f) rights of access to public highways or other public areas

(g) geotechnical conditions, including the potential for contamination or other environmental risks

(h) availability of, or improvements needed for services

(i) requirement for any off-site infrastructure improvements and the rights required

(j) archaeological constraints / archaeological investigations required

(k) sustainability and client requirements about green buildings

(l) economic conditions / their potential impact on costs & receipts during the development period

(m) current / projected supply and demand for proposed future uses

(n) the availability and cost of funding

(o) the expected time required to deal with preparatory matters before starting work, for the completion of the work, and, if appropriate, to rent or sell the completed property

(p) any other risks associated with the proposed development.

3.3. Valuation Reports

The purpose of a valuation must be identified by the valuer and for that specific purpose can issue the certificate depending on the requirements. Methods can be adopted under either the market or income approach.

Remember, a valuation is relatively subjective and based on a variety of factors, but none more important within the apartment sector as the per square metre rate on an overall living area, net of the balcony, and other areas.

Remarks: It may be noted that each financial institution has prescribed and circulated its own formats on valuation. The adoption of formats has become a mandatory requirement and hence, it is not discussed here.

3.3.1. For Financial Institutions

- **Genuineness of sale price fixed by the promoter**

When the borrower applies for a housing loan, the Financial Institution wants to ascertain the actual loan amount that can be entertained for the borrower. For authenticity of the sale price of the specific apartment, the Financial Institution will direct the valuer to determine the reality of the sale price.

The valuer has to submit a report on the genuineness (reasonableness) of the sale price fixed by the promoter.

From the documents (UDS sale deed, builder's construction agreement, approved plan, and other particulars), the valuer can arrive at the composite rate per square foot.

This composite rate per square foot is to be verified for the sale price quoted by the promoter and compared with the market rate of the nearby apartments sold in that area.

- **Primary security to be mortgaged under a housing loan and release of stage payment to the borrower under a housing loan**

Many financial institutions fund the borrowers for the purchase of a property under a housing loan. This loan is an upfront payment for the borrower towards the purchase of a flat or construction of a house on the borrower's own land. This loan is treated as primary security (ie) the asset created under bank finance.

Under these circumstances, the valuer will be issuing a report on the stage inspection report for the release of stage payment to the borrower for the proposed full purchase cost.

The report will be based on the sale deed value of the undivided share of land and the value of the construction work completed as of the date of inspection with reference to the builder's construction agreement value.

Approximate cost of the flat construction at different stages of works

1. All the percentage given below is only illustrative and will vary for projects.

2. If the flat building is 1/2/3 /4 floors (say) for each floor this percentage will change.

3. If the flat is on the ground floor, the percentage given below holds good.

4. If the flat is on the upper floors – up to the casting of the roof slab of the previous floor, consideration of the flat will be taken at 18% of the total value. And superstructure of the specific flat under valuation is in progress extra percentage as given in items 4 to 15 will be applicable.

5. Note: UDS Land cost is not included in this

No	Stage of work	Percentage of cost	Cumulative Percentage of cost
The flat on the ground floor (Refer notes above)			
1	Foundation	4%	4%
2	Basement up to plinth level	14%	18%
3	Superstructure up to lintel level	7%	25%
4	Superstructure from lintel up to roof level	8%	33%
5	RCC roof on the ground floor	20%	53\4%
6	Ceiling / inner wall plastering	5%	58%
7	Joinery – Frames for Door/ window/ ventilator	7%	65%
8	Flooring works	5%	70%
9	Outer wall plastering	2%	72%
10	Joinery – fixing shutters & grilles (7%+2%)	9%	81%
11	Painting works	3%	84%
12	Water supply & Sanitary installations	7%	91%
13	Electrical services	4%	95%
14	External Common services – Sump, borewell, overhead tank, weathering course, compound walls & gates, and pavements	5%	100%

- **Collateral security to be mortgaged by the Financial Institution**

The present market value of the property is determined based on the prevailing market value of the UDS of land and the depreciated value of the building on the date of the valuation is to be reported.

- **Stage-wise release of payment for the promoter from the escrow account under the RERA Act**

Section 4. (2) (l) *(D)* that seventy percent. of the amounts realized for the real estate project from the allottees shall be deposited in a separate account to be maintained in a scheduled bank to cover the cost of construction and the land cost and shall be used only for that purpose:

Provided that the promoter shall withdraw the amounts from the separate account, to cover the cost of the project, in proportion to the percentage of completion of the project: Provided further that the amounts from the separate account shall be withdrawn by the promoter after it is certified by an engineer, an architect, and a chartered accountant in practice that the withdrawal is in proportion to the percentage of completion of the project:

All financial institutions require a certificate from the engineer, being in their panel, they prefer their panel valuer to certify the completion status report on the date of releasing the amount from the promoter's account.

- **Sarfeasi Act - for fixing the upset price for auction by the Financial Institution.**

When the borrower's account becomes a non-performing asset, the financial institution decides on selling the borrower's property which is mortgaged in the bank. They may stipulate certain conditions to the borrower with a one-time settlement of the loan. (For this purpose the valuer is assigned to prepare a report to fix the present market value for a one-time settlement).

And if the borrower did not yield to this condition, the bank may auction in public. To fix an upset price for auction the valuer will be engaged to fix the present market value as per the Sarfeasi act.

3.3.2. For taxation purposes

- ❖ Financial reporting / accounting purposes / Impairment analysis
- ❖ Accounting (cost of construction under IT Act) or under Company law.
- ❖ Capital gain on sale(under IT Act)
- ❖ Investment purpose (purchase by the investor)
- ❖ Compulsory acquisition of the property by the government

3.3.3. Other purposes

- ➢ Litigation requiring valuation analysis
- ➢ Financial feasibility of the proposed projects (Project proposal)

References: I S Code 3861:2002 & Rera Act 2016

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