

*The most important investment you can make is in yourself.
- Warren Buffett*

HOW IS PROPERTY VALUED?

While the obvious answer is 'by the market' and 'whatever someone will pay you for it' there are a few approaches typically in determining the value of a property without going through a sales process

Uses

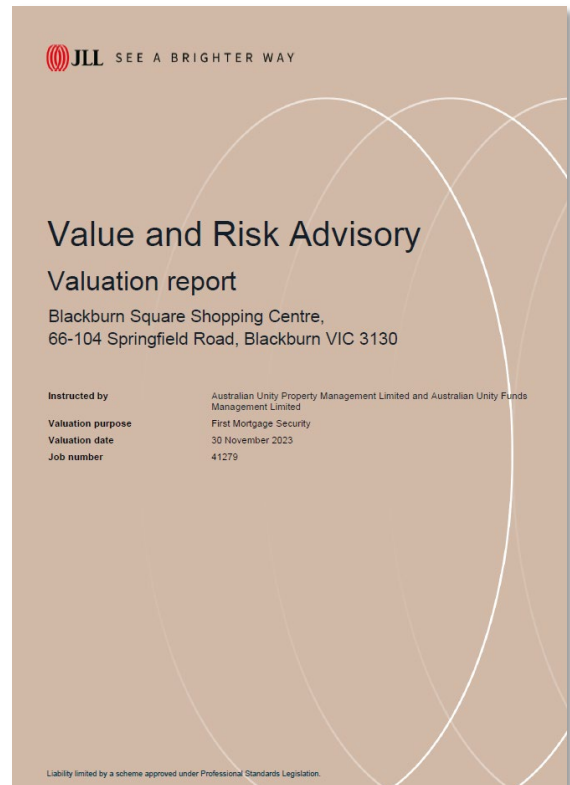
Property is valued for a range of different purposes including: accounting purposes (such as calculating the regular value of units in a property trust), tax purposes (eg for levying land tax or council rates), legal purposes (eg settling a deceased person's estate or a dispute) and for lending purposes (eg a bank determining how much it is willing to lend).

Approaches

There are three main approaches used in property valuation:

- **Sales comparison approach:** This compares the subject property to similar properties that have recently sold in the area. Factors like size, location, condition, and amenities are considered.
- **Income capitalisation approach:** This method is used for income-generating properties like rental buildings. It estimates the property's value based on the income it produces. A 'yield' or a 'capitalisation rate' is applied to the income to calculate its value.
- **Replacement cost approach:** This approach estimates the replacement cost of the property, meaning what it would cost to rebuild it from scratch, minus depreciation for wear and tear.

When choosing a method, valuers consider the type of property and the availability of comparable sales data.



Key factors influencing value

Here are some of the key factors that influence property valuation:

- **Location:** Properties in desirable locations with good amenities typically command higher prices.
- **Income:** Who are the property's tenants, what rent do they pay, how long are their leases for and is the building fully leased? Are there any costs of operating the building which are not recovered from tenants?
- **Property characteristics:** Size, age, condition and special features all play a role.
- **Market conditions:** Factors like overall economic trends, supply and demand for similar properties, and interest rates can affect value.
- **Zoning regulations:** Zoning restrictions can limit how a property can be used, which can impact its value.

A professional valuer can provide a comprehensive property valuation report that details the methodology used, analyses relevant data, and arrives at a final estimated value.

Learn more and additional resources

If you'd like to learn more please take a look at our other Education Series publications and access additional resources here:

www.asarep.com/hub

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