



**UTM**  
UNIVERSITI TEKNOLOGI MALAYSIA

**PRINCIPLES AND METHODS OF REAL ESTATE VALAUTION**

**SBEH 1013-SECTION 02**

**ASSIGNMENT 1**

**FACTOR AFFECTING VALUE OF THE RESIDENTIAL, RETAIL,  
INDUSTRIAL PROPERTY**

**NAME : HENG YI JING**

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Real estate is defined as the property, land, buildings, and all rights above land, and underground rights below the land. The categories of real estate are included Residential, Commercial, Industrial, and Vacant land. Real estate is also a real property that consists of land and improvements, which include buildings, structures, and utility. Among the basic needs of human beings, shelter is as important as other needs. Hence, the desire of people caused the real estate market became flourish. The value of the property is dictated by willing buyers to find interesting, helpful, or valuable, and there are some of the desirable factors that affect the value of a residential, retail or industrial property.



FIGURE 1: Real Estate

Residential real estate is an area developed for people and predominantly residential, as adverse to an industrial or commercial area. Residential real estate cannot be used for commercial or industries purposes, as defined by local zoning regulations. For examples single-family homes, condominiums, and multifamily residences. Residential real estate is also the most important financial investment a person has, and the value of real estate varies with real estate market. Some people buy residential in the hope of making profit, because they can sell real estate or renting it out to someone else for rent. For the first time buyers of residential real

estate often used their purchases with mortgages, which bank lend for the sole purpose of buying a home. The more the house is paid off, it will more equity it gets. There are various of desirable factors that affects the value of a residential.

First and foremost, location of the property is the most obvious factors affecting its value, people generally want to live close to where they work and enjoy their free time, so property in these areas is more expensive than other property. A similar property which is freehold land tend to be more valuable than those built on leasehold, and also in different areas often command different price on their property. Some people also depend on their child's school and workplace, so the distance from school and workplace is the of the elements for location. They need to consider how good the schools for their children in the area and the distance to their workplace so it is very important when choosing a residential property. The school has a great influence on the desirable of a property. If there is a famous school nearby, buyers will be willing to sacrifice to live there. A house near a top school can earn tens of thousands of dollars more than a comparable home elsewhere. On the other hand, the low-rated school can be negatively affecting the value of your property. According to a survey of potential home buyers found that 20 percent would be willing to pay 10 percent more their budget for a house near to school, and as many as 10 percent would be willing to pay their budget by 20 percent more, having a good school can increase the value of the residential, which is important dan gets more profit for the estate agent to sell in the future. Besides that, proximity to shopping, entertainment, and recreational centers also are element of location, because it is necessary for the people. Availability of shopping centers and markets nearby definitely adds value to the property, and good access to a landmark shopping center or hypermarket can have a positive impact on a property's value by making it more attractive to potential buyers. When people love to shop, which makes retail hubs a real benefit for house prices and increases value of property. Recreational centers give people who tried to relax when going back from workplaces, such as local parks, playground in residential area, sports centers, cinema and others, this all can rises up value of the nearby house's property, it's because full-equipped for use. Some of the people will be choosing a good location to buy, sell, rent or another else can help them it increases their profit, so choosing a location for property is very important of affecting value property.



FIGURE 2: Elements of location for school affect value of property



FIGURE 3: Residential property

Secondly, Size and facilities of the residential property also can affect value of property. When estimating a house' market value, size is an important element to consider, because it will had positively impact its valuation. In the same area, a four-bedroom home can sell for highest price than two-bedroom, while additional amenities such as bathrooms, swimming pools, outdoor recreation and others, this all can affect property value in modern city. Outbuildings also can add appeal as they offer more potential for building extra space and land. When the size of property is bigger, it was more likely to cost. For those who have a large family, size of a residential property is a most important element because they must ensure space of property to do something or have an enough space. Most of the people will choose to

buy the bungalow because size of the property bigger than condominium. Whether it's public transportation, cafe, coffee shops, every facility are important consideration when moving to a new home, such as grocery stores, restaurants, parks, and other should place nearby the residential property, it also can improve the standard of living. All in, Malaysia had a total supply of 6.03 million homes in 2019, comprising 5.73 million houses, 38134 SOHO units and 253056 serviced apartments. Demand of housing will continue to grow as families shrink, populations grow and urban migration.



FIGURE 4: Condominium



FIGURE 5: Bungalow

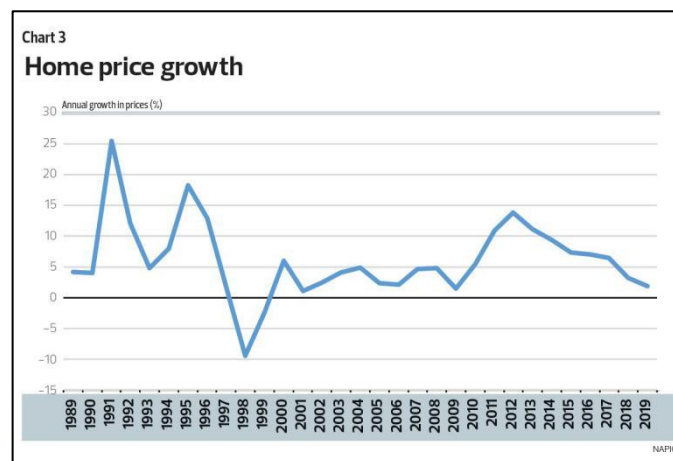


FIGURE 6: Statistic Home price growth

Then, one main factor that affects the value of real estate is the overall of the economy such as employment data, government policies, petrol prices and others. Some of the people bought a house because they want to do investment to gain some profit. In Malaysia right now, the economy is slowing and ringgit Malaysia is depreciating, cost of living and home prices continue to increase, so this can affect the property's value. A badly performing economic can cause reduces the demand of the

property market, which results house price. Interest rates are one area that can significantly impact property market transaction, because higher-interest rates would make loans unaffordable for many people. High interest rates can reduce demand, and negatively impact valuation. Besides that, low-interest rate can make leading more affordable, and increase the number of people to buy the property or do investment. Rising home prices led to a building boom by developers, from 2015 to 2019 home supply increase by annual rate of 3.6%. Economy of home market is depending of supply and demand client and conditions of economy can to be divided two classes, that is boom and recession market.

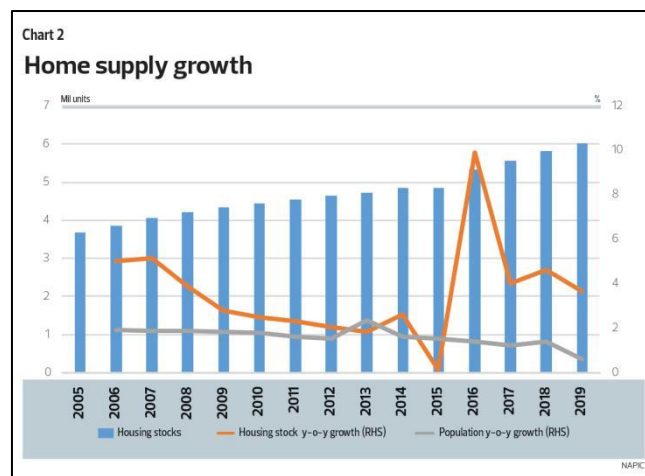


FIGURE 7: Statistic of home supply

The mortgage also a factor that affects the value of property. During the boom years, many banks were keen to lend mortgages. Easy access to mortgages has increased demand for real estate hence affecting to the price of property increase. However, when economic are badly, bank reacted the opposite way by constricting their lending criteria, which reduced the availability of mortgages, this will be affecting property price fall down. Sources of the mortgages such as a bank, government, company and other.

After that, Retail real estate is a commercially zoned property that is used only for commercial purpose, that is actually used exclusively to market and sell products rather than to manufacture them. Retail is including everything from supermarkets, florists, bike shops, fashion shops, and others. The retail sector provides services that include renting, buying and selling retail real estate. One of the factors can be affecting retail real estate value is location. It's been said time and again that location is important and it can hold true even with retail real estate. Some of the elements for location is in areas easy to access, high visibility, easy access to attract customers and

so on. Transportation is effective to make more valuable on its location, it must have easy access to mass transit systems, highways, parking, and pedestrian-friendly transportation features such as bike and walkability. It must consider the location's accessibility when it comes not only to the target market but also the potential employees. The most important is must ensure that divide the space required for the business type. If the property looking at a similar area, the demand for space will drop, and price also



FIGURE 8: Retail real estate

Another major factor that is difficult to forecast is economy demand for an area or business, this is generally measured by economic indicators such as gross domestic product, employment data, and the prices of goods. The economic scope of a place can really determine how much a real estate investor can earn. Which is a high rate of commercial operation, there is usually a high demand for commercial space. When the economy is badly, real estate is also. Usually, the lack of space is due to the high demand of companies to obtain favorable space for various activities., so in these areas, commercial property owners will have to charge high rents, which will translate to high returns. When demand exceeds the supply of rental value and the market will increase. For example, a shopping center IA more valuable if it is close to where people live versus being in a downtown area. During boon times the economy, demand and supply will be increased, some of people will spend their money on necessities in shopping centers or food courts.

In addition, accessibility and parking facilities also can affecting value of retail real estate. Accessibility factor is related to the ease of reaching the location or where a property is located or easy to reach. These factors are included the existing

infrastructure loop such as roads or highways as access to property locations. Having a good accessibility will attract investors and affect value of rent in the market. Infrastructure is basically the things that enables the continuation of basic service so there are productivity, employment and economic growth. For those are that have been upcoming infrastructure like a road upgrade will also attract good yields. However, when it comes to areas and place where there is the poor quality of infrastructure will be low yields. The factors of adequate parking facilities are an asset and as attractive factors that can affect number of visitors to shopping centers or food court, especially for a commercial complex. Parking can be provided either indoors or open space, this can provide a convenient of customers. Customer attraction can affect the value of sales and in turn may affect business and rental income and property value or capital value. Retail can add some amenities such as a coffee bar, a fitness center, a necessary shop and other, that can increase value of property and income producing



FIGURE 9: Sales of retail in Singapore

Industrial real estate defined as buildings that contain industrial activities and business purpose involving production, manufacturing, research, warehousing, storage and distribution. Classification is important because zoning, construction and sales are handled differently. Industrial properties can generally be dividing into two size, that is small and large. For small industrial is a support industrial to the large industrial. It can be in conventional form and pruned or tiered. Typically, industrial entrepreneurs like this rent buildings to proceed their businesses. However, for the

large industrial requires large areas and structures, and is usually located in a special location.



FIGURE 10: Industrial property

The main factors affect the value of industrial property is location and accessibility. Location of industrial had played a huge role in the efficiency of an industrial business operation. Usually an industrial property developed in an area is influenced by location factors and accessibility to get benefits. Location of industrial property is close to facilities have a high market, capital or rent if compared with far distance. The facilities required by industrial properties are close to more energy resources. The problems must be addressed by every factory operator. A good solution to overcome the problems of energy resources is for entrepreneurs and authorities to develop industrial zones near areas where sources is readily available at low costs. The industrial property must close to the raw material, in addition to human resources, raw materials are also important for industrial operations. Therefore, if raw materials are built close to the industrial property it will save transportation costs.

Besides that, economy also can affect the value of industrial property conditions included gross domestic product, income and consumer price. Economic can be included population, community income and total distribution and resources. Industrial property built in a similar area also can cause a competitive environment. Supply and demand from industry is an element economic. In general, if the supply of industrial land exceeds the demand, the value of the land should be according to law of supply and demand. Inflation and interest rate also one of the element factors will be affect value of industrial property. Inflation and rising interest rates will be led to a decline in industrial rents and prices. The lower interest rates can be cheaper it to get a mortgage to buy industrial, which creates a higher demand for property.

Last, transportation and infrastructure had affected the value of the industrial property. Industrial buildings located near major transportation routes squint to be more marketable than those located far. Industrial property must also provide the necessary of transportation for the staff or industrial property located nearby modern transportation, it will increase the value of industrial property and price market. Distance from the amenity of facilities increase, this will lead to a negative impact the lowers prices for property. Transportation facilities are needed for the transportation of goods and raw materials. Transport cost can be reduced by crossing highways, airports and make up for high price of the property, reduce transport cots.



FIGURE 11: Transportation for industrial property