



UTM
UNIVERSITI TEKNOLOGI MALAYSIA

**PRINCIPLES AND METHODS OF REAL ESTATE VALUATION
(SBEH1013-SECTION 1)**

ASSIGNMENT

**THE DESIRABLE FACTORS AFFECT THE VALUE OF A
RESIDENTIAL, RETAIL OR INDUSTRIAL PROPERTY**

NAME : LIM HUI YEE
MATRIC NUMBER : A20BE0100
TELEPHONE NUMBER : 013-6971991
YEAR : 1SBEHH
NAME OF LECTURER : DR. AZIZAH BINTI ISMAIL

The Desirable Factors Affect the Value of a Residential, Retail or Industrial Property

Meaning of residential property

Residential property is a property included in the valuation roll in terms of Section 48(2)(b) of the Property Rates Act 2004 as residential. It means a building that is used for individuals or households for living. The residential property consists of homes, apartments, condominiums, and townhouses.



The Desirable Factors Affect the Value of a Residential Property

a) Location

The location of a residential property will affect its value. A house which is near the infrastructures, highways, or recreational centers and easy to get transportation might increase its property value. It is because there are many conveniences and accessibilities are provided to those who lives there. Also, the environmental qualities and security will be considered in determining a residential property value.



For example, a house that is near the schools, bus stations, Light Rail Transit (LRT), shopping malls usually has a higher property value in the market. A house with gate-guarded, CCTV, security personnel, and having a good environmental quality such as surrounded by natural views of green space and free from sound pollution always deserve a higher property value.

b) Age and condition

A residential property value will be affected by its age and property condition. A house with proper conditions and has newer critical parts of the house will make it valuable. This is due to the cost for a buyer to replace the critical parts of the house is saved as the property condition is good.

For example, a house with newer critical parts such as the roof, plumbing, and electrical are less likely to break down so the buyer can generate savings compared to a house with older critical parts that may increase the repair expenses because the buyer needs to repair them in just a few years.

c) Size and usable space

The value of a residential property is roughly estimated in price per square foot. So, the size of a house will be used in determining its value. For residential property, livable space is also important to its worth as it provides more space for us to enjoy a rounded life includes sleep, play, cook, eat, study, and other activities in our life comfortably.

For example, a large size house with many bedrooms and bathrooms will make its worth generally increase because bedrooms and bathrooms are most highly valued in a residential property.



d) Interest rates

Interest rates of residential property will give an impact on its value. The interest rates will influence the cost of a person to pay for a mortgage. The high interest rates will discourage people from buying a house because the cost is high.

For example, a house with high property taxes charging by the government will make people reluctant to buy it because they are unwilling or unaffordable to purchase the house with high taxes. This situation makes houses' value drop as houses' supply in the market is higher than its demand.

e) Employment opportunities



Employment opportunities are important as it gives financial support for everyone. It enables the people to get the ability or increase their purchasing power to buy a house. When the employment rate getting increase, the demand for houses will increase also.

For example, a person who has a job enables him to buy a house because he gets income from his job that makes him can afford the cost of purchasing a house. This will increase the value of houses as the market demand for houses is getting increase.

f) Government policies

Government policies can affect residential property value. It may help the people to alleviate their burden for buying a house through some policies provided. The rules and regulations of a country also give a huge impact on the residential property worth.



For example, if the government provides subsidiaries and deductions to buyers, it will encourage people to buy the houses as they can pay less when purchasing the property.

Meaning of retail property

Retail property is a commercially zoning property that is used for business purposes to sell consumer goods and services. Examples of retail property are shopping malls, stores, hotels, restaurants, and office buildings.



The Desirable Factors Affect the Value of a Retail Property

a) Location

The location of a commercial property will determine its worth. A business building deserves higher value when it is accessible to get transportation. The traffic counts passing by the business building and the surrounding of the business building also affect the property value.

For example, a business building that is near the transit systems, highways, and located near the residential areas will increase its property value because there has a supply of potential consumers. The more vehicles that pass by every day will raise the value of a business building as it gets more 'free advertising'.



b) Size and facilities

The size of retail property and the facilities provided influence the property's worth. It is because the bigger size and more facilities are provided in a retail property will increase the maximum capacity of workers as it is enough for working office space and the space for other business activities can be fulfilled too.

For example, a business building with many working offices, meeting rooms, and lounges will increase its property worth because the demand for the buildings gets increasing.



c) Interest rates

The rise and fall of interest rates can affect a commercial property's worth. It also influences the business investment and expansion to retail properties.



For example, the low interest rates will make the credit cheaper, so it encourages people to buy or invest in retail property. This situation increases the retail real estate value.

d) Unemployment

The unemployment rate shows the number of unemployed people or people who lost their job. It gives an impact on the retail property's worth because the number of workers will determine the needs of the size of a company.

For example, when the unemployment rate rises, most companies are no need to require larger office space because of the fewer workers so the retail real estate worth will decrease.

e) Vacancy rates of similar building

Vacancy rates are the amount of time a property sits vacant. The high vacancy rates of a retail property may cause by a poor location, poor property condition, or ineffective marketing and it will affect the retail property value.



For example, a business building that has a higher vacancy rate compared to other similar buildings in the surrounding area will drop its worth because some astute investors may know the reasons for the high vacancy rate of that business building so they will not buy it.

f) Government policies

Government policies play an important role in affecting the value of retail real estate. Some disposal government policies may bring bad effects to do business.

For example, the government charges higher per-transaction tax on restaurants may cause some restaurants need to increase prices and this will make many consumers unwilling to visit the restaurant because of higher food prices. The restaurant may close if the business is depressed and this will create a property vacancy which will drop the property value.

Meaning of industrial property

Industrial property means property used for processing, manufacturing, warehousing, or commercial purposes that involved labors and capital. It includes heavy and light manufacturing buildings, factory warehouses, industrial parks, and development parks.



The Desirable Factors Affect the Value of an Industrial Property

a) Location

The location of industrial property will affect its worth because the accessibility and convenience of transportation will be considered before buying industrial property.

For example, an industrial building located near major transportation routes like highways may get a high market value because it brings convenience to motor carrier services that can improve goods shipping.

b) Size

Size is considered as a factor affects the industrial property value. Large size provides convenience to industrial property and makes industrial land more flexible.



For example, an industrial property with a larger size and storage space will increase its market value because the firms can do the decision to expand their facilities size if they want.

c) Age and condition

Age and condition can affect an industrial property's worth because it is important for most firms before they do the decision for buying as they no need to spend more money on repairing and maintenance if the condition of an industrial building is good.



For example, an industrial building that is new and has a good condition for its ceiling and floor will attract prospective buyers for purchasing or renting so that the value of the industrial building will go up.

d) Technology level

The technology level of an industrial building will affect its value because it can help industry to achieve energy efficiency. Energy efficiency brings cost-effective to an industry so the value of an industrial building which has a high level of technology will increase.

For example, an industrial building with advanced technology for production methods and production management usually increases its property worth as it aids an industry to save a lot of money in the producing process.



e) Interest rates

Changes in interest rates will influence the market demand for industrial properties so that the value of industrial building will be affected.

For example, high interest rates create lower market demand and increase the development cost as labor and material costs getting increase.



f) Government policies

Government policies gives an impact on industrial property value. Some government initiatives may help in reducing the cost of industries and attract more manufacturing companies to invest in industrial property.



For example, government incentives in tax deductions and financial subsidies will increase the demand for industrial buildings so it makes industrial real estate becomes valuable.