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Real Estate Valuations - Past, Present, Future and Way Forward for Young Valuers in India

INTRODUCTION

Real estate valuation is an integral part of the real estate industry, which plays a crucial role in determining the value of properties. The valuation of real estate assets is critical to making informed decisions about buying, selling, and investing in the real estate market. In India, the real estate sector has witnessed tremendous growth in the past decade, and as a result, the demand for professional real estate valuers has increased significantly. In this article, we will discuss the past, present, future, and the way forward for young valuers in India.

PAST

The real estate industry in India has been evolving for centuries, and so has the valuation methodology. The traditional method of valuation involved a simple process of determining the land's value based on the local market rates and multiplying it by the land area. This method was mainly used for agricultural land and was not suitable for valuing developed properties.

The advent of the industrial revolution and urbanization in India led to a shift in the valuation methodology.

The demand for developed properties increased, and so did the complexity of the valuation process. The traditional method was replaced by the income capitalization approach, which involved calculating the property's income potential and capitalizing it based on the prevailing market rates.

The income capitalization approach was widely used until the mid-20th century when the cost approach became more popular. The cost approach involved calculating the replacement cost of the property, including the land value, construction cost, and other associated costs. This method was more accurate and suitable for valuing developed properties.

PRESENT

In the present day, real estate valuation in India has become more complex and sophisticated due to the growth of the real estate sector. The demand for professional valuers has increased significantly, and the valuation methodology has evolved accordingly. The three main methods of valuation used in India are the income capitalization approach, the cost approach, and the sales comparison approach.

The income capitalization approach involves calculating the property's income potential and capitalizing it based on the prevailing market rates. This method is mainly used for valuing commercial properties such as office buildings, shopping malls, and hotels.

The cost approach involves calculating the replacement cost of the property, including the land value, construction cost, and other associated costs. This method is suitable for valuing developed properties such as residential apartments and houses.

The sales comparison approach involves comparing the property being valued with similar properties that have recently been sold in the same area. This method is mainly used for valuing residential properties such as apartments and houses.

FUTURE

The real estate industry in India is expected to continue its growth trajectory, and the demand for valuers is expected to increase. The government has introduced various policies to promote the real estate industry, such as the

Affordable Housing Scheme and the Smart Cities Mission. These policies are expected to increase the demand for real estate properties, and there will be need for valuers to carry out valuations of these properties. The valuation profession is expected to become more specialized, and there will be greater use of technology in the valuation process. The use of Artificial Intelligence (AI) and Machine Learning (ML) is expected to make the valuation process more accurate and efficient.

THE WAY FORWARD

The real estate sector in India is expected to grow significantly in the coming years. According to a report by the National Real Estate Development Council (NAREDCO), the sector is expected to reach USD 1 trillion by 2030.

This growth presents significant opportunities for young valuers in India. However, they must be prepared to face the challenges that come with the growth.

