# Valuation – Perspective of a Client

by Augustine Wong 28<sup>th</sup> June 2014

### "Valuation is an Art"

#### Then Why We Need to Learn About





- Legislations relating to Development Control
- Economics
- Technical Analysis

### Case 1

#### Market Rental of a Residential Unit

- Only 2 Comparables found in Land Registry
- Adjusted Unit Rates are \$20p.s.f. and \$40p.s.f.

How should a Valuer Deal with the Situation?

### Case 1

Taking an average : \$30p.s.f.



Is it correct to do so?

Don't think so.

### Case 1

- A valuer should use his/her judgment.
- Can disregard the one which is clearly out of line.
- Can give different weight to the comparables.



# Case 2-Residual Valuation

- Interest Rate
- Return on Investment
- Development Potential
- Market Value of Completed Project

Some are technical but some are judgment on the market.

# Sale Price for Completed Project

- Can only get current sales figures.
- Project will only be completed several years later.
- Judgment on the market movement from now until completion of the project.
- Technical Analysis vs. Personal Judgment

### Judgment On

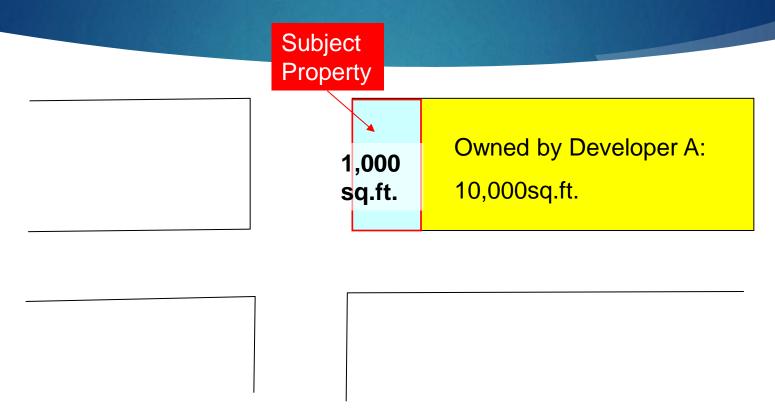
- ▶ 1)Government Policies
- ▶2)Economic Trends
- ▶3)Construction Cost Movement



### Hospital Not Yet Opened

- Going Concern Basis
   (but not yet opened, NIL Value)
- Contractor's Basis(but Land Value difficult to assess)
- Relying on budgets prepared by client carefully

# Case 3- A Small Site



What is the Market Value of the Subject Site?

### Factors To Be Considered:

- 1. Development potential on stand alone basis
- 2. Development potential as part of the merged site
- 3. Bargaining power/ potential gain to Developer A

# How to Form a View After Taking Into the Above Factors?

- No Single Answer
- Judgment of the Valuer
- Purposes of the Valuation
- Cap 545- Land (Compulsory Sale for Redevelopment)
   Ordinance
- Cap. 124 Land Resumption Ordinance
- For Disposal Purpose

# Independent vs. Open-minded

- Valuer- Expert in Valuation;
  May not be expert in every aspect
- Open-minded to listen but must be convinced before adopting advice of experts in other areas

## Valuation

