

Valuation – Perspective of a Client

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“Valuation is an Art”

Then Why We Need to Learn About

- ▶ Valuation techniques
- ▶ 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

Subject
Property

1,000
sq.ft.

Owned by Developer A:
10,000sq.ft.

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

Boring?

Important?

