

# Valuer

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## Defining value through our people – the VOA approach



**CLARE JOHNSON**  
tells the story of the  
surveyor development  
programme.

# Study materials in the disciplines of Land & Buildings and Plant & Machinery

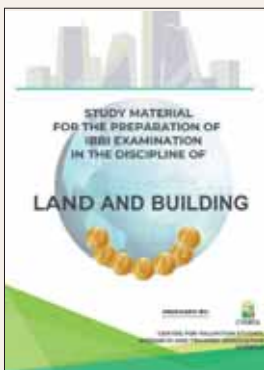


**KIRIT P. BUDHBHATTI**

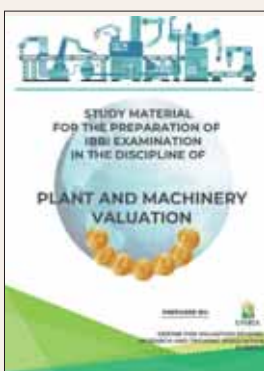
reviews the material prepared by the Centre for Valuation Studies, Research and Training (CVSTR).

## Background

On request from the Insolvency and Bankruptcy Board of India (IBBI), CVSRTA prepared the study material under the guidance of Author. CVSRTA prepared the education material running to about 4000 pages absolutely on an honorary basis without charging any remuneration to IBBI and granted permission for its free download to the public. It is available on IBBI website from the links below:



[https://ibbi.gov.in/uploads/resources/CVSRTA-Land\\_and\\_Building.pdf](https://ibbi.gov.in/uploads/resources/CVSRTA-Land_and_Building.pdf)



[https://ibbi.gov.in/uploads/publication/CVSRTA-Plant\\_and\\_Machinery\\_final.pdf](https://ibbi.gov.in/uploads/publication/CVSRTA-Plant_and_Machinery_final.pdf)

The author submitted the study material to The European Group of Valuers' Associations (TEGOVA) and they have also made it available on their website for free download, the link for which is as below:  
<https://tegoval.org/research-studies>

## Object

The object of this Study Material is to provide a solid foundation on which a superstructure of sound practices can be built up for the benefit of the Valuation Profession of land and buildings, and plant and machinery.

## Valuation – what is it?

Valuation as an art and science is an exercise falling within the domain of economics as well as law. Valuation really concerns itself with all species of legal interests arising out of land and building and plant and machinery, which are exchanged for money and therefore entails the phenomena of exchange, scarcity and choice that characterise a 'market' in the economic sense of the term. Property is purchased both for use and investment; but in both cases, the purchaser measures the expected return or benefits to be received from the property against cost outlay. The valuer's task is to express these benefits in money terms and to interpret the relationship between cost and benefit as a rate of return, thus allowing the investor to make a choice between alternatives.

Valuation of real estate as well as plant and machinery are multi-disciplinary subjects involving mainly the following disciplines over and above the principles of valuation of respective field of valuation:

### Real Estate (RE)

- Economics
- Law
- Town Planning
- Insurance
- Accounts and Finance
- Environmental Issues
- Building Construction/Civil Engineering

### Plant and Machinery (PM)

All the above subjects (except for building construction/civil engineering), Industrial Processes and Machine Tools, Factory Equipment and Electrical Installations.

## Essentials for Practising Valuers

It is essential to thoroughly understand the basic elements or ingredients of value as well as the factors affecting the value because these aspects help in finding a solution even for difficult problems.

The basic elements of value for both RE and PM are: Demand, Scarcity, Utility and Transferability.

Factors affecting the value of RE and PM are: technical, legal, social and economic.

## Subjects and broad topics therein covered in the study material for both the disciplines:

### Real Estate

- Economics
- Book-keeping
- Law-General
- Statistics
- Environmental Issues
- Insurance
- Professional Ethics
- Law-RE
- Valuation of RE
- Case Laws
- Report-writing
- Case Studies

The broad topics covered in the core subjects are as follows:

Economics – Micro and Macro-economics;

*Law General* – Salient features of Contract Act-1872, Arbitration and Conciliation Act-1996;

*Law Specific* – Salient features concerning valuation under the Insolvency and Bankruptcy Code-2016, the Companies Act-2013, the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act and Rules-2002, the Banking Regulation Act-1949;

**Law Real Estate** – Transfer of Property Act-1882, Land Acquisition Act-1894, Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (LARR)-2013, Town and Regional Planning including Development Control Regulations, Rent Control Act, Indian Easements Act-1882, Real Estate (Regulation and Development) Act-2016;

**Valuation of Real Estate** – Basic elements/ ingredients of Value, Factors affecting Value, Valuation Maxims, Highest and Best Use, Value-in-Use, Value-in-Exchange, Annuities, Capitalization, Single and Dual-rate of Capitalization, Year's Purchase, Sinking Fund, Redemption of Capital, Reversionary Value, Construction and use of Valuation Tables, Urban Infrastructure and its influence on Value of Real Estate, Real Estate Market and its characteristics, Investment in Real Estate, Factors influencing Demand and Supply Schedule in Real Estate, Concept of Green Building, International Valuation Standards, Approaches to Value (Market, Income, Cost), Various purposes of valuation and Case-laws.

The real estate study material runs to 1975 pages of which, the subject of valuation of real estate is covered in 552 pages.

#### Plant and Machinery

- Economics
- Book-keeping
- Law-General
- Statistics
- Environmental Issues
- Insurance
- Professional Ethics
- Law-PM
- Valuation of PM
- Industrial Processes – I and II
- Machine Tools
- Factory Equipment
- Utility Equipment and Electrical Installations
- Case Laws
- Report Writing
- Case Studies

The broad topics covered in the core subjects of the course are as follows:

**Economics** – Micro and Macro-Economics;

**Law General** – Salient features of Contract Act-1872, Sale of Goods Act-1930, Arbitration and Conciliation Act-1996;

**Valuation of Plant and Machinery** – International Valuation Standards, Value-in-Use, Value-in-Exchange, Value to the

Buyer, Value to the Seller, Value to the Occupier, Value in Existing Use In-Situ, Value in Existing Use Ex-Situ, Value in Alternative Use In-Situ, Value in Alternative Use Ex-Situ, Liquidation Value In-Situ/Ex-Situ, Orderly Liquidation Value, Forced Sale Value, Valuation Maxims, Micro and Macro-Identification and Physical Verification of Plant, Machinery and Equipment, Installed Capacity of the Plant, Actual Production, Raw Material Availability, Level of Technology used whether Current or Obsolete and issues if any regards to these, Imbalances in different productions sections and cost to cure it; Part, Fraction and Whole Valuation, Relationship of Earnings and Assets, Difference between Business-Specific Economic Viability and Economic Obsolescence, Efficiency of Plant Layout, Imbalances in different production sections and their relevance in valuation;

**Cost Approach** – Economic principle of substitution, Methods for estimation of Gross Current Replacement Cost (quotations, indexing, capacity benchmarking), Methods of Depreciation, Difference between Accounting and Technical Depreciation, Factors to be taken into consideration for selection of Depreciation Method, Obsolescence-Technological, Functional and Economic, DRC subject to Potential Profitability, Limitations of Cost Approach;

**Market Approach** – Economic principle of supply and demand, Sales comparison method and data collection; Elements of Comparability and adjustment by appropriate Weightages to Identified Comparables for application to the Subject Plant and Machinery being valued; Instances when Sales Comparison Method is not feasible and limitations of Sales Comparison Method;

**Income Approach** – Economic principle of Anticipation of Future Benefits, Gross Income, Outgoings, Net Income and Year's Purchase, Actual Income vs. Potential Income, Capitalization of Earnings Method, Discounted Future Earnings Method (DCF technique), Pitfalls of DCF technique.

Broad categories of machines encountered by plant and machinery valuers in actual practice, leasing of machinery and case studies;

Machine Tools, Factory Equipment, Utilities and Electrical Installations, Introduction to metal working machines and machining operations, machine tools and equipment, workshop equipment, Non-destructive testing, format for collecting technical specifications from clients for various machine tools and factory equipment;

**Industrial Processes – I and II** – Factory planning and layout, production system and automation, material flow, process sequences, automation & control, equipment employed in industrial processes, utility equipment, industrial processes - textile, dairy, solvent extraction and vegetable oil plants, iron, steel & non-ferrous metal production, chemical (dyes), pharmaceuticals, plastic, rubber (automobile tyre), paper and paper products, printing, binding and publishing, bread making and soft drink manufacturing processes.

The study material of plant and machinery runs to 1951 pages of which, the subjects of valuation of plant and machinery, industrial processes I and II, machines tools and factory equipment are covered in 966 pages.

#### **Views of Experts on the study material**

##### Land and Building

Dr. Garrick Small, Prof. Real Estate – Central Queensland University, Australia:

*“What I saw was very impressive and appears well suited to a quality valuation course.”*

Hirji Hirani RICS, Practising Valuer London:

*“IBBI study material on TEGOVA website has excellent case studies and all-round coverage by you and other authors.”*

##### Plant and Machinery

Chris Derry, Former Chairman, RICS Plant and Machinery Committee:

*“The PME valuation section is very comprehensive, although, of course, only a tiny fraction of the hundreds of different industries can be covered.*

*Any student who reads through, understands, and retains the material must be well on the way to being a first class PME valuer. However, I can almost lay odds that after years of study, his first solo assignment will be some obscure process not covered in any textbook or study material.*

*In my time with the RICS and the College of Estate Management, I always found it challenging to meld the approach that the academics want with my practical hands-on experience as a practitioner. Your study material certainly deals with both aspects.”*

The study material of both the disciplines thus fulfils the object of laying the foundation for sound professional practice in valuation.