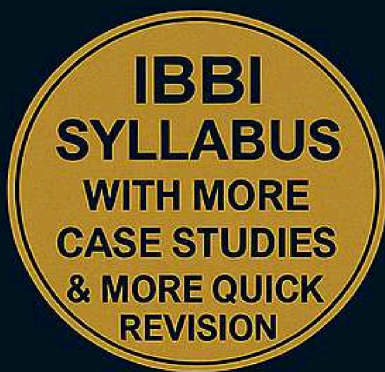


2nd Edition

VALUATION ESSENTIALS LAND & BUILDING

For Engineers, Professionals & IBBI Aspirants



Master Valuation
Concepts, Case Studies
& Quick Revision Notes for Exam
Preparation and Daily Learning

Vr. SHUBHAM BANSAL
(IBBI Registered Valuer, Chartered Engineer)

Best reference for Engineers, Professionals & aspirants
preparing for Valuation Exam and other competitive
exams.

Valuation Essentials

Land & Building

For Engineers, Professionals & IBBI Aspirants

(With IBBI Syllabus Mapping, Quick Revision Notes, Case Studies, and Valuation Standards)

Written by

Vr. Shubham Bansal

(IBBI Registered Valuer, Chartered Engineer)

B.Tech (Civil), Dip. Civil, AMIE, AIV, Approved valuer

On Panel of Various Nationalized Banks and Institutions

Empowering valuation professionals with clarity, confidence, and compliance.

© 2025 VR Shubham Bansal

All rights reserved. No part of this publication may be copied, stored or shared in any form without prior permission from author.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, scanning, or otherwise—without prior written permission of the author, except for brief quotations in scholarly or critical reviews, with proper attribution.

This book is intended for educational and informational use, particularly for students, professionals, and candidates preparing for valuation examinations such as those conducted by IBBI (Insolvency and Bankruptcy Board of India) and other statutory authorities. While every care has been taken to ensure the accuracy and reliability of the information provided, the author makes no representations or warranties with respect to the completeness or accuracy of the content. Readers are advised to consult applicable laws, valuation standards, and qualified professionals before relying on any material in this publication.

This publication does not constitute legal, investment, or professional advice. Any reliance placed on the contents is at the reader's own risk. The author disclaims all liabilities that may arise from the use of this content.

First & Second Edition: 2025

ISBN: 978-93-343-2840-0

Printed and Published in India

Printed by:

Cover and Design: Self

Author Contact: sbbansal19@gmail.com

License:

This work may be referenced or cited for academic purposes with attribution. For any other use, including reproduction, adaptation, or distribution, written permission is required.

Citation:

Bansal, VR Shubham. ***Valuation Essentials: Land & Building for Engineers, Professionals & IBBI Aspirants With IBBI Syllabus Mapping, Quick Revision Notes, Case Studies, and Valuation Standards***

*. 1st ed., 2025.

Disclaimer

This book is intended for academic and professional guidance in the field of real estate valuation, property law, and related financial analysis. While every effort has been made to ensure the accuracy of the content, neither the author nor the publisher accepts any responsibility or liability for any errors, omissions, or for any outcomes related to the application of the information contained herein.

The content of this publication is for informational purposes only and does not constitute legal, investment, or valuation advice. Readers are advised to refer to applicable Acts, rules, professional standards, and consult qualified professionals or authorities such as IBBI, RERA, or relevant courts when in doubt.

References to laws, cases, or regulations are current as of the time of writing and may be subject to change. The author disclaims any liability for decisions made based on this content.

Names, case studies, or examples used are for educational illustration only and any resemblance to real persons, entities, or transactions is purely coincidental unless expressly cited.

Use of this material for examination or professional preparation does not guarantee success, and readers are responsible for meeting the requirements of certifying authorities.

All rights reserved by the author. Unauthorized reproduction or distribution is prohibited.

Preface

Valuation Essentials: Land & Building for Engineers, Professionals & IBBI Aspirants

By VR Shubham Bansal

Real estate valuation is both an art and a science. It demands not only an understanding of legal frameworks and technical methods, but also the ability to interpret market forces, economic indicators, and the physical attributes of property. This book is born out of a need—to bring clarity, structure, and practical insights to a subject that often appears complex and fragmented, especially for aspirants preparing for the **IBBI Registered Valuers Examination** or for professionals practicing in the field.

Over the past few years, valuation has evolved into a more standardized and regulated discipline in India, particularly with the growing role of **Registered Valuers** under the Companies Act, 2013 and the rules framed by the **Insolvency and Bankruptcy Board of India (IBBI)**. As the profession matures, so must the quality and comprehensiveness of learning material.

Purpose of the Book

During my own preparation for exams and in my professional journey as an Reg. Valuer, I have studied numerous books related to valuation, engineering, and standards. One common challenge I consistently faced—and which many working professionals continue to face—is the **overwhelming depth and length** of these books.

While the content is often rich, it becomes difficult for **working engineers and professionals with limited time** to extract the essential knowledge effectively. The complexity and volume can make learning a slow and frustrating process.

With this book, my primary aim is to **bridge that gap**. I have curated the material in a **concise, focused, and practical format**, without compromising on the quality or depth of essential topics. Whether you are preparing for exams or applying knowledge in real-life scenarios, this book is designed to **save time and enhance understanding**, enabling professionals to **enrich their knowledge efficiently and effectively**.

Key Features

- **Structured as per IBBI Syllabus** (Land & Building Asset Class)
- **Comprehensive coverage** of Market, Income, and Cost approaches
- **Legal foundation** including laws affecting immovable property
- **Real-life case studies**, illustrations, and valuation reports
- **Quick revision notes**, charts, and professional tips

This book is meant to serve as a **bridge**—between theory and practice, between law and economics, and between classroom learning and field experience.

Whether you're a student just beginning your valuation journey, a professional upgrading your knowledge, or an IBBI aspirant preparing for examination and registration, this book is your trusted companion.

With gratitude,
VR Shubham Bansal
Author & Consultant

Dedication

To the Learners, Practitioners, and Thinkers

This book is dedicated to all students striving for clarity, to professionals committed to precision, and to every aspirant who believes that valuation is more than just numbers—it's responsibility, integrity, and impact.

How to Use This Book

This book is designed to function both as a **learning tool** and a **practical reference**. Here's how to make the most of it:

1. IBBI Exam Preparation

Start with chapters aligned with the IBBI syllabus. Each section includes:

- Summary boxes for quick revision
- Model questions for self-assessment
- Key case laws and legal interpretations

2. Real-World Application

Use the valuation theory, practical examples, and case studies as templates and guidance in your professional work.

3. Legal & Technical Clarity

Refer to the legal glossary and case briefs for deeper understanding of real estate laws and their impact on valuation.

4. Cost, Market & Income Approaches

These are covered in dedicated chapters, with illustrations, formulae, and explanatory notes to apply in practice or exams.

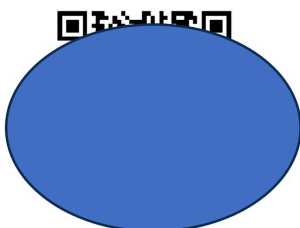
5. Revision Time?

Use the quick revision tables, diagrams, and highlighted points for last-minute preparation or on-the-go brushing up.

Join Our Valuation Essentials Readers' Group

If you are a reader who wishes to **enhance your valuation knowledge**, stay updated with **latest guidelines, case laws, webinars, and seminars**, you are invited to join our **exclusive WhatsApp group** for *Valuation Essentials*.

Simply **scan the QR code below** to join instantly and connect with fellow valuers, engineers, and professionals.



Valuation Essentials: Land & Building for Engineers, Professionals & IBBI Aspirants
With IBBI Syllabus Mapping, Quick Revision Notes, Case Studies, and Valuation Standards

Table of Contents

S. No.	Chapter Title	Pages
1	General Principles of Law	1–20
2	Legal Provisions Relating to Real Estate	19–41
3	Introduction to Valuation of Real Estate	42–62
4	Market Approach to Valuation	63–76
5	Income Approach to Valuation	77–97
6	Cost Approach to Valuation	98–109
7	Valuation for Various Purposes	110–113
8	Landmark Case Studies in Valuation	114–115
9	Insurance Principles and Loss Assessment	116–126
10	Technical Report Writing in Valuation Practice	127–131
11	Ethical Standards and Professional Code of Conduct	132–135
12	Environmental Considerations in Valuation	136–139
13	Book-Keeping and Accountancy for Valuation Professionals	140–145
14	Capital Gains in India – Indexed Cost, Amendments & Latest Rules	146- 149
15	Exam Based Case Study	150- 165

All Chapter having Quick revision Notes

Chapter 1: Law General

1.1 Introduction to Law

Law is a set of rules and principles that govern the conduct of individuals and institutions within a society. It provides a framework for resolving disputes, protecting rights, and maintaining social order.

Sources of Law:

- **Legal Sources:** Recognized by law itself, such as the Indian Constitution, statutes, and judicial decisions.
- **Historical Sources:** These include the constitutional developments and historical documents that have shaped the current legal framework. For example, the **Constitution of India**, which came into effect on 26th January 1950, is a cornerstone of the Indian legal system.

1.2 The 42nd Amendment

The **42nd Amendment** to the Constitution of India introduced significant changes, including the addition of new chapters on **Fundamental Duties of Citizens**. These duties are to be read alongside Fundamental Rights, ensuring a balance between rights and responsibilities.

1.3 Fundamental Rights

Fundamental Rights are the essential freedoms guaranteed to all citizens, enshrined in Part III of the Indian Constitution. They are enforceable by the courts and protect the liberty and dignity of individuals.

(i) Right to Equality (Articles 14–18)

This right ensures that every individual is treated equally before the law and enjoys equal protection of the laws. Key aspects include:

1. **Equality before Law** (Article 14): Every person shall be treated equally before the law.
2. **Equal Protection of Laws** (Article 14): No individual or group shall be denied the same protection of the laws as others.
3. **Prohibition of Discrimination** (Article 15): The State shall not discriminate against any citizen on grounds of religion, race, caste, sex, or place of birth.
4. **Equality of Opportunity in Public Employment** (Article 16): Equal opportunity for all citizens in matters relating to employment or appointment to any office under the State.
5. **Abolition of Untouchability** (Article 17): Untouchability is abolished, and its practice is prohibited.
6. **Abolition of Titles** (Article 18): The State shall not confer any titles, except military or academic distinctions.

(ii) Right to Freedom (Articles 19–22)

This right guarantees several freedoms, including:

- **Freedom of speech and expression**
- **Freedom to assemble peacefully**
- **Freedom to form associations**
- **Freedom to move freely throughout India**
- **Freedom to reside and settle in any part of India**
- **Freedom to practice any profession or occupation**

(iii) Protection Against Exploitation (Articles 23–24)

This includes the prohibition of human trafficking, forced labour, and child labour.

(iv) Right to Freedom of Religion (Articles 25–28)

This guarantees the freedom to practice, profess, and propagate any religion.

(v) Cultural and Educational Rights (Articles 29–30)

This protects the rights of minorities to preserve their culture and establish educational institutions of their choice.

(vi) Right to Property (44th Amendment, 1978)

Although the original fundamental right to property was removed by the 44th Amendment, Article 300A now provides that no person shall be deprived of their property except by authority of law.

(vii) Right to Constitutional Remedies (Article 32)

This empowers citizens to approach the Supreme Court or High Courts to enforce their fundamental rights.

Law of Contract (Indian Contract Act, 1872)

2.1 Introduction

A **contract** is a legally binding agreement between two or more parties that is enforceable by law. The Indian Contract Act, 1872 (Sections 1–266) governs contracts in India and outlines the essential elements, types of contracts, and their enforceability.

2.2 Valid Contract

A **valid contract** is one that fulfills all the essential elements prescribed under **Section 10** of the Indian Contract Act, 1872. A contract that lacks any of these elements is either void, voidable, or unenforceable.

Essential Elements of a Valid Contract:

1. **Agreement:** There must be an offer by one party and acceptance by the other.
2. **Legal Enforceability:** The agreement must be enforceable by law.
3. **Competent Parties:** All parties must be competent to contract (i.e., they must be of sound mind, not minors, and not disqualified by law).
4. **Free Consent:** Consent must not be obtained through coercion, undue influence, fraud, misrepresentation, or mistake.
5. **Lawful Consideration:** There must be a lawful consideration (something of value exchanged).
6. **Lawful Object:** The object of the contract must not be illegal or opposed to public policy.
7. **Certainty of Terms:** The terms of the agreement must be clear and unambiguous.
8. **Possibility of Performance:** The contract must be capable of being performed.

2.3 Types of Contracts

(a) Void Contract

A **void contract** is an agreement that is not enforceable by law from the beginning or becomes unenforceable due to changes in law or other circumstances. (Example: An agreement to perform an illegal act.)

(b) Voidable Contract

A **voidable contract** is an agreement that is enforceable by law at the option of one or more parties, but not at the option of the other(s). It usually arises when consent is not free — for instance, when obtained through fraud or misrepresentation.

(c) Illegal or Unlawful Contract

An **illegal contract** is one that is explicitly prohibited by law or whose object is illegal or contrary to public policy (Section 23). Such contracts are void and carry no legal rights or obligations.

(d) Unenforceable Contract

An **unenforceable contract** is one that cannot be enforced in a court of law due to technical defects — for example, when a contract is required to be in writing but is not, or when a necessary stamp duty is missing.

2.4 Contingent Contract

A **contingent contract** is defined under **Section 31** of the Indian Contract Act, 1872, as “a contract to do or not do something if some event, collateral to such contract, does or does not happen.”

In simple terms, a contingent contract is a **conditional contract** that depends upon the occurrence or non-occurrence of an uncertain future event that is collateral (incidental) to the contract itself.

Key Features of a Contingent Contract:

- It is enforceable only when the specified event occurs or does not occur.
- It is based on a future uncertain event.
- The event must be collateral (not a direct part of the contract itself).

Example: A contract to pay a sum of money if a certain ship arrives safely at the port.

Competency of Parties (Section 11)

As per **Section 11 of the Indian Contract Act, 1872**, every person is competent to contract who is:

- of the age of majority according to the law,
- of sound mind,
- not disqualified from contracting by any law to which they are subject.

Misrepresentation and Fraud

3.1 Introduction

Contracts can sometimes be affected by **misrepresentation** or **fraud**, which influence the validity and enforceability of agreements under the Indian Contract Act, 1872. These concepts ensure that all parties to a contract enter into it freely and with proper understanding.

3.2 Misrepresentation (Section 18)

Definition

Misrepresentation is a **false representation of fact made innocently**, that is, without any intention to deceive the other party. It occurs when a party to a contract makes an untrue statement of fact that induces the other party to enter into the contract.

Key Features of Misrepresentation:

- It must be a false statement of fact, not an opinion.
- It must be made innocently, without the intention to deceive.
- It must have induced the other party to enter into the contract.

Effect of Misrepresentation

A contract induced by misrepresentation is **voidable** at the option of the party misled by the misrepresentation. The aggrieved party can either rescind the contract or insist on performance as if the representation were true.

Burden of Proof

The **burden of proof** in case of misrepresentation lies upon the party who seeks relief from the court. That party must establish that a misrepresentation induced them to enter into the contract.

3.3 Fraud (Section 17)

Definition

Fraud is defined as the **intentional misrepresentation or concealment of a material fact** by one party to induce the other party to enter into a contract. It is a deliberate act of deceit.

Key Features of Fraud:

- It involves an intention to deceive.
- It includes acts or omissions that are meant to mislead.
- Fraud can be committed by a party to the contract, their agent, or with their connivance.

Legal Definition (Section 17)

As per **Section 17 of the Indian Contract Act, 1872**, fraud includes:

1. **Suggestion as a fact** of that which is not true, by one who does not believe it to be true.
2. **Active concealment** of a fact by one having knowledge or belief of the fact.
3. **Promise made without any intention** of performing it.
4. **Any other act fitted to deceive.**
5. **Any act or omission** that the law specifically declares to be fraudulent.

Effects of Fraud

A contract induced by fraud is **voidable** at the option of the party deceived. The aggrieved party can:

- Rescind the contract.
- Insist on performance of the contract as if the representation were true.
- Sue for damages if any loss has been suffered.

3.5 Difference between Misrepresentation and Fraud

Basis	Misrepresentation	Fraud
Intention	Innocent misstatement without intent to deceive	Intentional deception
Remedy	Contract is voidable; rescission or affirmation possible	Contract is voidable; rescission plus damages
Burden of Proof	Lies on the aggrieved party to prove misrepresentation	Lies on the aggrieved party to prove fraud
Knowledge	Party believes statement to be true	Party knows statement is false or conceals fact

Indemnity and Guarantee

4.1 Contract of Indemnity

Definition:

A **contract of indemnity** is defined under Section 124 of the Indian Contract Act, 1872 as a contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person.

Key Features:

1. **Bilateral Nature:**
It involves **two parties** — the indemnifier (promisor) and the indemnified (promisee).
2. **No Privity with Third Party:**
The indemnifier and indemnified are the only parties involved; no privity of contract exists between the indemnifier and any third party like a surety.
3. **Scope of Indemnity:**
The indemnifier undertakes to compensate the indemnified for any loss or damage suffered, regardless of whether the loss is caused by the indemnifier or a third party.
4. **Liability:**
The liability arises from the loss caused to the promisee due to:
 - The conduct of the promisor himself, or
 - The conduct of any other person.

Example:

A contracts to indemnify B against the consequences of any proceedings that C may bring against B in respect of a certain sum of money. If C sues B and B has to pay, A must indemnify B for the loss.

4.2 Contract of Guarantee

Definition:

A **contract of guarantee** is defined under Section 126 of the Indian Contract Act, 1872 as a contract to perform the promise or discharge the liability of a third person in case of his default.

Key Features:

1. **Tripartite Nature:**

A guarantee involves **three parties**:

- The principal debtor,
- The creditor, and
- The surety (the person who gives the guarantee).

2. **Mutual Contracts:**

There exists a set of mutual contracts between all three parties — principal debtor, creditor, and surety.

3. **Existence of Principal Debt:**

A guarantee cannot exist without a valid principal debt. If there is no principal debt, the guarantee becomes void.

4. **Surety's Liability:**

The surety's liability is **secondary** and arises only upon the default of the principal debtor.

5. **Nature of Obligation:**

The surety's obligation is coextensive with that of the principal debtor unless otherwise provided by the contract.

Example:

A guarantees to B the payment of a loan taken by C. If C fails to repay, A (the surety) must pay B.

4.3 Distinction between Indemnity and Guarantee

Basis	Indemnity	Guarantee
Parties	Two parties (indemnifier and indemnified).	Three parties (principal debtor, creditor, and surety).
Liability	Primary and independent liability.	Secondary and contingent on principal debtor's default.
Consideration	Consideration moves between indemnifier and indemnified.	Consideration may flow between any two parties.
Third-Party Privity	No privity with a third party.	Privity exists among all three parties.
Purpose	To compensate for loss or damage.	To ensure performance or payment by principal debtor.

Law of Agency

Definition (Section 182):

An **agent** is a person employed to do any act for another or to represent another in dealings with third parties. The person who employs the agent is called the **principal**.

5.1 Essentials of Agency:

- **Principal-Agent Relationship:**
The agent acts on behalf of the principal and is authorized to bind the principal in legal relations with third parties.
- **Capacity:**
Any person who has attained the age of majority and is of sound mind can employ an agent. However, even a minor can be appointed as an agent, though they cannot be held personally liable to the principal.
- **Consideration Not Necessary:**
No consideration is necessary to create an agency.

5.2 Duties of an Agent:

1. **Duty to Follow Instructions:**
An agent must follow the lawful instructions of the principal.
2. **Duty of Care and Skill:**
The agent must perform the agency work with reasonable care, skill, and diligence.
3. **Duty to Render Accounts:**
The agent must render proper accounts to the principal on demand.
4. **Duty to Communicate:**
The agent must communicate with the principal and seek instructions in case of difficulty.
5. **Duty Not to Deal on Own Account:**
The agent should not deal on his own account without the principal's consent.

Companies Act, 2013 — Key Provisions

6.1 Section 192: Restrictions on Non-Cash Transactions Involving Directors

Provision:

Section 192 of the Companies Act, 2013 imposes restrictions on non-cash transactions involving directors or persons connected with them. The objective is to prevent directors from benefiting at the expense of the company's assets.

Key Points:

- A company cannot enter into arrangements whereby:
 - A director or connected person acquires assets from the company for consideration other than cash.
 - A company acquires assets from a director or connected person for consideration other than cash.
- Any such arrangement is valid **only if prior approval** is obtained from the company through a resolution in a general meeting.
- The notice convening the meeting must include the particulars of the arrangement, ensuring transparency.

6.2 Section 230: Power to Compromise or Make Arrangements with Creditors and Members

Provision:

Section 230 empowers companies, creditors, and members to propose compromises or arrangements to restructure or reorganize the company's affairs, subject to tribunal approval.

Key Requirements:

1. Application:

- May be made to the National Company Law Tribunal (NCLT) by:
 - The company itself
 - Any creditor(s)
 - Any member(s)
- Application must disclose all material facts about the company, including the latest financial position, auditor's report, and details of any pending investigations.

2. Supporting Documents:

- Affidavit verifying the contents of the application.
- Proposed scheme of arrangement, such as:
 - Reduction of share capital
 - Restructuring of corporate debt
 - Any other compromise

3. Approval Requirements:

- Any scheme involving the restructuring of debts must be approved by at least **75% in value** of the secured creditors.

4. Notice:

- Tribunal shall issue notice to all creditors and members (including debenture-holders), and provide them an opportunity to raise objections or suggestions.

6.3 Section 231: Powers of Tribunal to Enforce Compromise or Arrangement

Provision:

Section 231 empowers the NCLT to supervise the implementation of any compromise or arrangement sanctioned under Section 230.

Key Points:

- The tribunal may issue directions or make modifications necessary for the successful implementation of the scheme.
- The tribunal may also order the winding up of the company if it is unable to implement the scheme effectively.

6.4 Section 232: Merger and Amalgamation of Companies

Provision:

Section 232 deals with the process of merging two or more companies, or amalgamating them into a new entity.

Key Requirements:

- The tribunal may order the merger or amalgamation upon application by the companies involved.
- Key aspects include:
 - Transfer of assets, liabilities, employees, and contracts from the transferor company to the transferee company.
 - Statement certified by a Chartered Accountant (CA) or Company Secretary in Practice regarding the accounting treatment.
 - Tribunal approval is subject to compliance with all requirements under Section 230.

Additional Points:

- If the company fails to comply with tribunal directions under Section 7, it may face fines ranging from ₹1 lakh to ₹25 lakh.
- Default in complying with tribunal orders may result in penalties or even prosecution under the Companies Act.

Key Provisions Relevant to Valuation Professionals

7.1 Section 247 of the Companies Act, 2013 — Valuation by Registered Valuer

Provision Summary:

Section 247 of the Companies Act, 2013 mandates that any valuation required under this Act must be carried out by a **Registered Valuer** who is registered with the Insolvency and Bankruptcy Board of India (IBBI).

Key Features:

- **Impartiality:** A valuer must act with independence, integrity, and free from any conflict of interest.
- **Methodology:** Valuations must follow prescribed valuation standards issued by the IBBI to ensure consistency and reliability.
- **Reporting Requirements:** A valuation report should include:
 - Description of the asset(s) being valued.
 - The purpose of the valuation.
 - The valuation approach and methodology adopted.
 - The final concluded value with appropriate disclaimers.
 - Any assumptions or limiting conditions.

7.2 Section 281(1) of the Companies Act, 2013 — Submission of Report by Company Liquidator

Provision Summary:

Section 281(1) requires that the **Company Liquidator** submit a detailed report to the National Company Law Tribunal (NCLT) within **60 days** from the date of the winding-up order.

Key Points:

- The report must include:
 - Assets and liabilities of the company.
 - Debts and claims against the company.
 - A valuation of assets and properties if needed for fair distribution among creditors.

7.3 Section 5(n) of the Banking Regulation Act, 1949 — Definition of Secured Loans and Advances

Provision Summary:

Section 5(n) defines **secured loans or advances** as loans that are backed by tangible or intangible security.

Market Value Concept:

Market value is defined as:

"The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing, wherein both parties have acted knowledgeably, prudently, and without compulsion."

Corporate Insolvency & Related Legal Doctrines

1. **Information Memorandum in CIRP:**

An Information Memorandum is prepared by the Interim Resolution Professional (IRP) to provide relevant financial and operational details to prospective resolution applicants.
2. **Insolvency Intimation Date:**

The intimation date marks when a financial creditor, operational creditor, or corporate applicant files an application with the Adjudicating Authority to initiate insolvency proceedings.
3. **Insolvency Commencement Date:**

The insolvency commencement date is the day the application for initiating Corporate Insolvency Resolution Process (CIRP) is admitted by the Adjudicating Authority.
4. **Resolution Process Timeline:**

The CIRP must be completed within 180 days from the insolvency commencement date, subject to permissible extensions.
5. **Liquidation Commencement Date:**

The liquidation commencement date refers to the date on which proceedings under Section 33 or 59 of the Insolvency and Bankruptcy Code (IBC), 2016 officially begin.
6. **Discharge of Contract – Performance:**

Fulfilling contractual obligations constitutes one of the lawful methods to discharge a contract.
7. **Tortious Duty Under Law:**

In tort law, the duty is imposed by law and is owed to society at large, rather than arising from agreement between parties.
8. **Applicability of Hindu Succession Act:**

The Hindu Succession Act does not apply to cases governed under the provisions of the IBC, 2016 concerning corporate insolvency.
9. **Valuation Under AS 16 & IBC:**

Accounting Standard (AS) 16 and the IBC, 2016 recommend the use of registered valuers for asset valuation during the insolvency process.
10. **Duties of IRP on Appointment:**

Upon appointment, the Interim Resolution Professional (IRP) must gather all information relating to the assets, finances, and operations of the corporate debtor for the preceding two years.
11. **Formation of the Committee of Creditors:**

The Committee of Creditors (CoC) shall be constituted by the IRP, and its first meeting must be convened within seven days of formation.
12. **Nature of Tort Law – Right in Rem:**

A tort is a *right in rem*, meaning it is enforceable against the world at large rather than against a specific individual, emphasizing public legal obligation.

◆ Hindu & Personal Laws

1. **Hindu Succession Act** does not apply to **Parsis, Muslims, Christians, Jews**.
2. **Dayabhaga school of Hindu law** is prevalent in **Assam & West Bengal**.
3. **Muslim inheritance**: property may pass to **daughter's daughter** (not primary heir, but possible under special conditions).

◆ Contract Law (Indian Contract Act, 1872)

4. **Voidable contract** = enforceable by one party but not the other.
5. **Agreement obtained by fraud/misrepresentation** = voidable.
6. **Agreement without consideration** = void, except natural love & affection among near relatives (registered).
7. **Performance of contract** → discharges obligations.
8. **Quasi-contract** arises when law imposes obligations without formal contract.
9. **Novation (Sec. 62)**: if A owes B, and B agrees to accept C instead of A, B can recover from C.

◆ Tort & Legal Principles

10. **Tort** = civil wrong; duty imposed by law, owed to community at large.
11. Word "Tort" comes from **Latin "Tortum"** = "to twist".
12. **Absolute liability** → principle in hazardous industries (M.C. Mehta case).
13. **Equality before law (Art. 14)** applies to **all persons in India** (citizens + foreigners).

◆ Transfer of Property Act

14. **Minor as transferor** = void, but minor **can be transferee** (property in his name valid).
15. **Sec. 3 (TPA)**: attestation = at least **2 witnesses must see executant sign or affix mark**.
16. Transfer to a **licensee** is not allowed in a joint venture.

◆ Companies Act, 2013

17. **Sec. 247**: Valuation must be by **registered valuer** using **recognized methodology**, not customized to client needs.
18. **Valuation applies to property, securities, shares, debentures** under Sec. 247.
19. **Tribunal (NCLT)** can **wind up company** if compromise under Sec. 230/231 fails.
20. **Dividend declared between AGMs** = **interim dividend**.

◆ Insolvency & Bankruptcy Code (IBC, 2016)

21. **Fast Track CIRP** cannot be initiated by **Insolvency Professional**.
22. **At least 2 registered valuers** are required under Sec. 35 IBC.
23. **IRP forms CoC** within **7 days**, first meeting within **7 days thereafter**.
24. **Moratorium** → management of debtor's affairs vests with **IRP**.
25. **Insolvency commencement date** = date of admission of application by NCLT.
26. **Resolution plan**: prepared by resolution applicant, approved by CoC & NCLT.
27. **IRP collects information** for **2 years preceding** insolvency filing.

◆ Arbitration Law

28. If parties fail to decide number of arbitrators → **tribunal shall have sole arbitrator** (Arbitration & Conciliation Act, 1996).
29. **Arbitration agreement** can arise by **letters, telex, emails** if intent is clear.

◆ **Evidence & Court Practice**

30. Valuer in court = **expert witness (witness of opinion)**.
31. Expert evidence must include **opinion with reasoning**, not just yes/no.
32. Court may **presume facts** (discretionary presumption) under Indian Evidence Act.
33. **Conclusive proof**: when law states fact is final, no contrary evidence allowed.
34. If woman

Sample copy of Valuation Essentials | © 2025 Vr. SHUBHAM BANSAL

Chapter-2- Law of Real estate

Transfer of Property – Legal Framework and Principles

1. Overview of Property Rights and Interests

In real estate law, the term “property” encompasses not just the physical asset but also the **legal rights, interests, and valuation** that a person holds in that property. These rights may be transferred, subject to the applicable laws, primarily governed by the **Transfer of Property Act, 1882**.

2. Scope of the Transfer of Property Act, 1882

The **Transfer of Property Act, 1882** governs the transfer of both:

- **Immovable property** (e.g., land, buildings)
- **Movable property** (to a limited extent, such as things attached to the earth)

The Act applies to both:

- **Tangible assets** (physically existing, like land and machinery)
- **Intangible assets** (e.g., goodwill, trade rights)

⚖️ Note: The Act allows only transfer to **living persons**. **Transfers to unborn children** are generally invalid, with some exceptions under specified legal conditions.

3. Key Legal Concepts

- **Immovable property** does not include growing crops or grass.
- The Act is inapplicable in certain cases, such as:
 - **Court sales**
 - **Step succession or inheritance by law**
 - **Easement rights**
 - **Right of re-entry**
 - **Public office rights**
 - **Mere rights to sue**, which are not transferable

Section 3 – Interpretation Clause

- Defines key terms used throughout the Act:
 - **Immovable Property** – Refers to land, buildings, and benefits arising out of land.
 - **Instrument** – A legal document that records a transaction.
 - **Attested** – Witnessed by two or more persons.
 - **Registered** – Legally recorded as per the Indian Registration Act.
- **Actionable Claim** – A claim to any debt (other than a secured debt) or a beneficial interest in movable property, which can be enforced through a legal proceeding.

Example: A person's right to recover money from someone under a contract is an actionable claim.

4. Section 5 – Meaning of 'Transfer of Property'

Section 5 defines a transfer as an act by which a living person conveys property, in present or in future, to one or more living persons, including himself.

Example:

- A transfers property to B
- A transfers to B and D jointly
- A transfers to himself and another person

This section forms the basis of all voluntary transfers under the Act.

Section 6 – What May Be Transferred

- Property of any kind may be transferred unless specifically **prohibited by law or contract**.
- The transfer must not violate **public policy** or the terms of a binding agreement.
- Example: You cannot transfer a property if you do not have **absolute ownership** of it.

5. Section 7 – Who is Competent to Transfer Property?

A person may transfer property if:

- He is the **legal owner** and has the right to do so
- He is **competent to contract**, i.e.:
 - Of **sound mind**
 - Has **attained the age of majority** (as per Indian Majority Act)
 - Is **not disqualified by law**

Legal Note: Transfer is void if a legal restriction prohibits it, such as in cases involving protected tribal lands or government-assigned properties.

Section 8 – Operation of Transfer

- A valid transfer of property **confers title and interest** on the transferee with all legal rights and obligations, unless specifically stated otherwise in the contract.

Section 25 – Conditional Transfer

- If a transfer is made **subject to a condition** and that condition implies:
 - Injury to a person,
 - Or is **illegal or immoral**,then the **condition is void**, and the transfer may become invalid or voidable.

Example: A gift of property that becomes valid only if someone gets divorced is void.

Section 53 – Fraudulent Transfers

- If a debtor **transfers property with intent to defeat or delay creditors**, such transfer is voidable at the option of the creditor.
- **Burden of proof** lies on the creditor to show fraudulent intent.

Note: A bona fide purchaser for consideration without notice of fraud is protected.

Section 53A – Doctrine of Part Performance

- If a person has:
 - Taken possession of property based on a written contract,
 - And is **willing to perform** his part of the contract,
- Then the transferor cannot **evict** him, even if the transfer was not formally completed (i.e., not registered).

This provision acts as a shield, not a sword—protecting the transferee in possession but not giving him ownership rights outright.

6. Procedural Requirements for a Valid Transfer

- If the property value exceeds ₹100, it must be transferred through a **registered instrument**.
- A **minimum of two witnesses** is required to validate the transfer.
 - Both witnesses need not be present simultaneously.

7. Transfer for the Benefit of Unborn Child (Sections 13, 14, 18)

The Act provides conditional protection for unborn children:

- Property may be transferred **in trust** for the benefit of an unborn person.
- The **interest vests only upon birth**, and till then, it is held by a trustee.

Important: Transfer directly to an unborn child is **not valid**, but may be structured lawfully through intermediate transfers.

Legal Interests and Rights in Real Estate

1. Vested and Contingent Interests

1.1 Vested Interest

A vested interest is an existing and legally enforceable right in property. It is characterized by the following attributes:

- **Present Fixed Right:** The interest is not dependent on any uncertain event.
- **Transferable and Heritable:** It can be passed on during the holder's lifetime or upon death.
- **Time of Vesting:** The interest is created at the time of transfer, regardless of the timing of possession.

1.2 Contingent Interest

A contingent interest depends on the occurrence of a future uncertain event. The right materializes only if the event happens. This is well illustrated by legal scholar Sir Frederick Pollock and supported by case law, such as *Salmon v. Peasel*.

Types of contingent interest based on conditions:

- **Condition Precedent:** The interest arises only if a specified condition is met.
Example: A gifts his house to B, if B marries C.

- **Condition Subsequent:** The interest exists unless a specific condition occurs that nullifies it.
Example: A transfers farmland to B, provided that B moves to England.
- **Collateral Condition:** The interest is dependent on a condition continuing to exist.
Example: A leases his property to B as long as B stays in his house.

2. Ostensible Ownership and Benami Transactions

2.1 Ostensible Owner

An ostensible owner is a person who appears to be the real owner based on possession, registration, or conduct, but who does not actually own the property. The law may protect third parties who rely on such appearances.

2.2 Benami Transactions and the Benami Transactions (Prohibition) Act, 1988

This Act prohibits property transactions made in the name of a person other than the one who finances it (i.e., the real owner). The Act stipulates:

- If a property is transferred to another person in whose name the property is held, that person will not be the real owner unless the transaction fits within the legally permitted exceptions.

4. Co-ownership: Joint Tenancy vs. Tenancy in Common

Quick Highlights (One-liners)

- Central/State Government can acquire land for social purposes.
- 3-year average market value or Circle Rate used for compensation.
- Additional 15% solatium given for compulsory acquisition.
- Stamp duty is exempted under Section 51.
- Section 23 defines market value calculation criteria.
- Section 28 mandates factors to be considered for total compensation.
- Section 52 outlines officer qualifications.
- Section 25 mandates award within 12 months of declaration.
- LARR authority shall consist of at least one member.
- **Chapter IV (Sections 11 to 31) of the Land Acquisition Act deals with the acquisition process, including:**
 - Preliminary notification in **two daily newspapers**,
 - Publication in the **Official Gazette**, and
 - Upload on the **official website**.
- **Objection to land acquisition** must be filed by the interested person **within 60 days** from the date of the preliminary notification's publication.
- **Market value** in compensation is computed as the value of **land + buildings + standing crops or trees**.
- An additional **12% per annum on market value** is payable from the **date of SIA (Social Impact Assessment) notification** or **date of possession**, whichever is earlier.
- **25% of total compensation** may be offered as **equity shares in the acquiring body**, provided **family consent** is obtained.

- If a person loses land due to acquisition and is **displaced from their residence**, they are entitled to an additional **75% of the compensation amount**, as per resettlement provisions.
- **Haryana Development and Regulation of Urban Areas Rules, 1976** mandates that **45% of land** be reserved for **roads, open spaces, schools, and public/community buildings**, during urban development planning.
- **Dilapidation** refers to damage caused to commercial property when a tenant vacates after agreeing to return the property in good condition.
- **As per MORD (4th Feb 2016), Section 4(6)**: The minimum plot size for group housing projects is **20 hectares in urban** and **40 hectares in rural areas**.
- An **easement imposed on another's property** is known as **servient ownership**.
- A **private company** may purchase up to **10 hectares in rural areas** and **5 hectares in urban areas**, subject to state-specific land ceiling laws.
- **Land Acquisition (LARR Act)**: If acquired land remains unutilized for **five years**, it must be returned to the original landowners.
- **Under Section 60-A of the TP Act**, a mortgagor's right of redemption can include assigning or transferring the mortgage to a third party.
- **Section 54 of the Easement Act** allows the **grant of license**, either **expressly or impliedly**.
- **Effective Rent** = Net rental income actually received by the landlord, **after deducting concessions**.
- **Standard Rent** is determined by government authorities under rent control laws.
- **Contractual Rent** is the rent specified in a **lease agreement** or rental contract.
- **Easement rights cannot be transferred** independently of the **dominant heritage**, as per the TP Act.

Restrictions on Land Acquisition

✓ Quick Highlights (One-liners)

- **Minimum road width for high-rise buildings** must be **at least 12 meters**, with the **minimum site dimension (depth or width) of 21 meters**.
- The **Commissioner of the Corporation** has the authority to **regularize building deviations up to 5%**, subject to conditions.
- **Occupancy Certificate (OC)** must be obtained **within 5 years** from the date of issue of the building license.
- A **high-rise building** is defined as one having **Ground Floor + 4 floors (G+4) or more**.
- **Minimum covered car parking space** required is **23 square meters**, while **open parking space** must be **at least 18–25 square meters**; **basement parking** requires a minimum of **28 square meters**.
- **Group Housing density** is calculated as **4.5 persons per Dwelling Unit (DU)**.
- **RCC-framed structures of type G+2** are typically permitted for **schools, factories, and similar buildings**, subject to structural safety norms.
- **Vertical violations** pertain to **Floor Area Ratio (FAR) violations**, affecting permissible construction height or number of floors.
- **Toilets, lifts, and ramps** are mandatory for **cinema halls and theaters**, in compliance with universal accessibility standards.

- **FSI (Floor Space Index)** relaxations may be granted for **sports complexes**, based on developmental regulations.
- **Horizontal violations** refer to **zoning rule breaches**, such as constructing beyond the permitted building footprint.
- **Minimum open space** regulation mandates **10% of the total plot area** to remain open, ensuring proper ventilation and light.
- **Developers must obtain consent from at least 1/3rd of allottees** for any alterations to the sanctioned building plan.
- **Occupancy Certificate (OC)** under RERA signifies legal permission to occupy a completed building or part thereof.
- **Industrial plots** in coastal areas must maintain a minimum distance of **500 meters** from the **High Tide Line**.

Sample copy of Valuation Essentials | © 2025 Vr. SHUBHAM BANSAL

Key Provisions under the Real Estate (Regulation and Development) Act, 2016 (RERA)

(Presented as precise one-liners for easy understanding and revision)

1. **Section 3:**
No promoter shall advertise, market, sell, book, or offer any plot/apartment/building in any real estate project without prior registration with RERA.
2. **Section 4:**
For registration, the promoter must submit project details, including layout, financials, and timeline, along with a declaration to complete the project as per sanctioned plans.
3. **Section 11(3):**
The promoter must obtain an **Occupancy Certificate** and **Completion Certificate** from the competent authority before handing over possession to the allottee.
4. **Section 13(1):**
A promoter **shall not accept more than 10% of the cost of an apartment** as advance without executing a **registered Agreement for Sale** with the allottee.
5. **Section 18(1):**
If the promoter fails to complete the project or handover possession on time, the allottee is entitled to a full refund with interest, or continue with the project and receive interest for delay.
6. **Section 19(4):**
The allottee is entitled to claim possession of the apartment/plot/building as per the agreement and complain to RERA in case of delay or default.
7. **Section 31:**
Any aggrieved person (allottee, promoter, or agent) may file a complaint before the Authority or the Adjudicating Officer.
8. **Section 34:**
The Authority shall maintain a web-based platform for project disclosures, registration status, and compliance monitoring to ensure transparency.
9. **Section 60:**
If a promoter provides false information or contravenes RERA provisions during registration, they are liable to a penalty up to **5% of the estimated project cost**.
10. **Section 61:**
For any other non-compliance with RERA (not specifically penalized), a general penalty up to **5% of the project cost** may be imposed.
11. **Section 64:**
If a **promoter fails to comply with orders of RERA or the Appellate Tribunal**, they may be punished with **up to 3 years' imprisonment**, or a **fine up to 10% of the estimated project cost**, or both.
12. **Section 66:**
If a **real estate agent** fails to comply with RERA directions, they are liable for a penalty of **₹10,000 per day of default**, which may cumulatively extend to **5% of the cost of the unit sold**.
13. **Section 69:**
Failure to register a project attracts imprisonment up to **3 years** or a **fine up to 10% of the estimated project cost**, or both.

Definition of Mortgagor and Mortgagee

- **Mortgagor:**

The *mortgagor* is the person who borrows money by transferring an interest in their immovable property (like land or a house) to the lender as security for repayment of a debt.

✓ *In simple terms: The owner who takes a loan and offers property as security.*

- **Mortgagee:**

The *mortgagee* is the person (usually a bank or financial institution) who lends money to the mortgagor and receives an interest in the immovable property as collateral/security until the debt is repaid.

✓ *In simple terms: The lender who gets rights over the property until the loan is cleared.*

Types of Mortgage under Section 58 of the Transfer of Property Act, 1882

Simple Mortgage [Sec. 58(b)]

- The mortgagor does not deliver possession of the property.
- Mortgagor binds himself personally to repay the loan.
- Mortgagee has the right to sell the property through court if there's a default.

Example: A borrows ₹10 lakhs from B and signs a mortgage deed. A retains possession but agrees that B can sell the property if he fails to repay.

Mortgage by Conditional Sale [Sec. 58(c)]

- The mortgagor ostensibly sells the property to the mortgagee.
- The sale becomes absolute if default occurs, or void if repaid on time.
- Often confused with sale, but intent is for security only.

Example: A sells land to B, but agreement says it will return to A if loan is repaid in 5 years. Otherwise, B retains it fully.

Usufructuary Mortgage [Sec. 58(d)]

- Possession of property is delivered to the mortgagee.
- Mortgagee receives rents and profits instead of interest or principal.
- No personal liability of mortgagor; no foreclosure or sale.

Example: A mortgages a shop to B. B collects rent from tenants until the loan is satisfied.

English Mortgage [Sec. 58(e)]

- Mortgagor transfers property absolutely to the mortgagee.
- Mortgagor personally promises to repay by a specific date.
- Mortgagee must retransfer on repayment.

Example: A transfers land to B with a promise to repay ₹50 lakhs by 2026. If A repays, B will return ownership.

Mortgage by Deposit of Title Deeds [Equitable Mortgage – Sec. 58(f)]

- No formal deed is required.
- Mortgagor simply deposits title documents (e.g., property papers) in a notified town.
- Common in urban financial transactions.

Example: A hands over property papers to a bank in Delhi for a loan. This creates an equitable mortgage.

Anomalous Mortgage [Sec. 58(g)]

- Any mortgage that does not fit the above categories.
- It may be a mix of two or more types.
- Depends on local usage or special contract terms.

Example: A transfers property with right to collect rent, and also signs a personal repayment clause—part usufructuary, part simple mortgage.

Quick Tip Box

Type	Possession	Personal Liability	Right to Sell	Court Involvement	Example Use Case
Simple Mortgage	X	Yes	yes (via court)	Yes	Home loans
Conditional Sale	X	X	Yes (on default)	Yes	Land transfers
Usufructuary Mortgage	Yes	X	X	No	Shop rent
English Mortgage	X	Yes	Yes	No (if terms allow)	Commercial loans
Equitable Mortgage	X	Yes	Yes	Yes	Urban financing
Anomalous Mortgage	Depends	Depends	Depends	Depends	Custom cases

Rights of the Mortgagor

1. Section 60 – Right of Redemption

The mortgagor has the legal right to redeem the mortgaged property upon repayment of the mortgage money. This includes the right to reclaim all documents of title and possession. Filing a court case to enforce this right is known as a *Suit for Redemption*.

2. Section 60A – Assignment of Mortgage Debt

The mortgagee may assign the mortgage debt and transfer the mortgaged property to a third party. The mortgagor shall be bound to recognize the transferee as the new mortgagee as directed by the original mortgagee.

3. Section 61 – Redemption of Multiple Properties

If two or more properties have been mortgaged to the same mortgagee, the mortgagor has the right to redeem them either individually or jointly, subject to the mortgagee's discretion.

4. Section 62 – Right of Usufructuary Mortgagor to Recover Possession

In the case of a usufructuary mortgage, the mortgagor is entitled to recover possession of the property once the mortgage money is repaid or dues are cleared.

5. Section 63A – Improvements to Property

If the mortgagee has made improvements to the mortgaged property during the mortgage term, the mortgagor is generally **not liable** to reimburse such expenses, except under specific contractual terms or benefit derived.

Liabilities of the Mortgagee

1. Section 65 – Implied Covenants by the Mortgagor

This section lists the **implied liabilities** of the mortgagor unless expressly excluded by contract. These include:

- That the mortgagor has the right to transfer the interest.
- That the mortgagor shall not commit any act detrimental to the property's value.
- That the mortgagor shall protect the title and property against third-party claims.

Additional one liner:

- **Redemption is a statutory right** under Section 60 and cannot be curtailed by contract. Any clause preventing redemption is termed a "**clog on the equity of redemption**", and is void in law.
- **Usufructuary Mortgage:** Defined under Section 58(d), this type allows the mortgagee to retain possession and receive income (rent, profits) from the property in lieu of interest or principal repayment.
- **Suit for Redemption:** A mortgagor may approach a civil court to enforce the right of redemption if the mortgagee wrongfully denies or delays returning possession/title deeds.
- **Multiple Property Mortgages:** Where more than one property is mortgaged, the mortgagor retains flexibility to redeem in parts unless explicitly restricted.

Laws Relating to Inheritance and Succession

1. Muslim Personal Law (Shariat)

- Governed by **Muslim Personal Law (Shariat) Application Act, 1937**.
- Inheritance is based on **Quranic principles**—specific shares are assigned to heirs (e.g., son gets double the share of daughter).
- **No concept of joint family or coparcenary.**
- Inheritance arises only **after death**, and property cannot be willed beyond **1/3rd** of estate (rest must go to legal heirs).
- Applies differently to **Sunni (Hanafi)** and **Shia** sects.

2. Hindu Succession Act, 1956

- Applies to **Hindus, Buddhists, Jains, and Sikhs**.
- Governs **intestate succession** (when there's no will).

Chapter-3 - VALUATION OF REAL ESTATE

1. Cost

Definition: The actual expenditure incurred to create or produce a property or asset.

Example: If constructing a building costs ₹80 lakh, this is the **cost**, regardless of its market value or future price.

2. Price

Definition: The amount of money paid to acquire ownership of an asset.

Example: A buyer purchases a flat for ₹1 crore. The **price** is ₹1 crore, even if its market value is only ₹90 lakh.

3. Value

Definition: An estimate or opinion of the price, generally based on various parameters like location, demand, and income potential.

Example: A valuer may estimate a house's **value** at ₹95 lakh, even if the buyer pays ₹1 crore or the cost was ₹80 lakh.

4. Market Value

Market Value – Definition (as per International Valuation Standards and IBBI guidelines)

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing, wherein both parties have acted:

- Knowledgably
- Prudently (good judgement)
- Without compulsion

Both parties are assumed to have made informed decisions, have acted in their own best interests, and possess reasonable knowledge of the relevant facts, including the state of the market and the property.

Explanation with Key Elements:

1. Estimated amount: A fair price expected in the open market.
2. Valuation date: The date at which the value is assessed.
3. Willing buyer and seller: Neither under duress nor compelled to transact.
4. Arm's length transaction: Both parties are unrelated and act independently.
5. Proper marketing: Adequate exposure in the open market for a reasonable time.
6. Knowledgeable and prudent conduct: Both parties are well-informed and make rational decisions.
7. Absence of compulsion: No distress sale, pressure, or force involved.

Types of Ownership in Real Estate

1. **Sole Ownership:** Property is held in the name of one individual. Ex-Mr. Raj buys a flat solely in his name.
2. **Joint Tenancy:** Two or more people own the property with rights of survivorship .Ex-A and B buy a house. A dies, B gets full ownership.
3. **Tenancy in Common:** Two or more owners hold undivided shares; no right of survivorship. Ex-X and Y co-own land. X dies, his share goes to heirs.
4. **Tenancy by the Entirety:** Ownership by spouses with rights of survivorship (not recognized in all jurisdictions). Ex-Husband and wife co-own. One dies, the other inherits.
5. **Co-operative Ownership:** Owners hold shares in a corporation that owns the property; occupancy via a lease. Ex-Ms. Seema owns shares in co-op society, lives in flat
6. **Condominium Ownership:** Individual ownership of units with shared common areas. Ex-Mr. Amit owns Flat 302; shares lobby, lift
7. **Trust Ownership:** Property held by a trustee for the benefit of others. Ex-Father creates trust for minor; trustee holds property

Types of Occupancy in Real Estate

1. **Owner Occupied:** The owner resides or operates from the property.
2. **Tenant Occupied (Leased):** The property is rented to another party under a lease agreement.
3. **Vacant:** Property not currently in use.
4. **Licensee Occupancy:** Occupation based on a license rather than a lease (e.g., lodgers).
5. **Squatter Occupancy:** Unauthorized possession without legal title or agreement.

TYPES OF VALUE

1. Book Value

Definition: Value recorded in books using depreciation methods.

Or Book value is a historical cost accounting measure, reflecting the recorded cost of assets less accumulated depreciation or amortization

Example: A building originally costing ₹1 crore, after 10 years of depreciation, may have a **book value** of ₹60 lakh.

2. Break-up Value

Definition: The net value of all individual assets if the unit is dismantled.

Example: A closed factory's land (₹2 crore), building (₹1 crore), and machinery (₹50 lakh) together make a **break-up value** of ₹3.5 crore.

3. Forced Sale Value

Definition: The value realized from an urgent sale, often lower than market value.

Example: A shop worth ₹50 lakh in the open market may sell for only ₹35 lakh under **bank auction (NPA)** due to urgency.

4. Going Concern Value

Definition: Value of an operational business including its assets, brand, and goodwill. Or the total value of a business enterprise, including its assets, liabilities, and future earnings potential, assuming it will continue to operate for the foreseeable future. It's essentially the value of a business as a "live" entity, not just the sum of its parts if it were to be liquidated. This value takes into account not only the physical assets but also intangible assets

like goodwill, brand reputation, customer relationships, and operational efficiency

Example: A running hotel with income and clientele may be worth ₹10 crore (including goodwill), while its land and building alone are worth ₹7 crore.

5. Hope Value

Definition: Value based on future potential or expectation. Or the additional worth attributed to a property based on the expectation of a more valuable future use or development beyond its current permitted use

Example: A plot near a proposed metro station may have a **hope value** above its market value due to anticipated price rise.

6. Intrinsic Value (True Value)

Definition: Real worth of an asset based on its income potential or actual use. Or

Or **Intrinsic Value** refers to the **real, inherent, and fundamental worth** of an asset, security, or business, based on its **actual financial performance, future cash flows, and underlying characteristics**, rather than its current market price.

Example: A building generating

Quick Revision Tips: Property Valuation Concepts

Real Estate Market Characteristics – Quick Revision Tips

1. Each property is unique – real estate is a heterogeneous market.
2. Few buyers/sellers act at a time – market is thin and segmented.
3. No single participant dominates the market – it's fragmented.
4. Property prices are generally high – large financial outlay required.
5. Supply and demand seldom reach equilibrium – market imbalance is common.
6. No centralized exchange – makes it an imperfect market.
7. Real estate requires large capital investment – high entry barrier.
8. Properties are not easily liquid – low marketability.

Concepts of Value – Quick Revision Tips

1. *Market Value* = Value in exchange, determined in an open market.
2. *Value in Use* applies to going concern scenarios.
3. Petrol pump & hotel valuation depends on net business profit or lease rent.
4. Utility, scarcity, demand, and transferability determine value.
5. *Residential bungalows* are valued using the cost approach.
6. *Break-even point* = when expenses equal income.
7. Real estate is a form of tangible fixed asset – considered a sound investment.
8. *Gold bonds* = Safe security, real estate = long-term asset.

9. *Bank deposits* are more liquid than real estate.

10. *Rate of return*: Cinema: ~11–17%, Residential: ~4–6%, Hotel: ~12–14%.

Valuation & Regulatory Concepts – Quick Revision Tips

1. *NHAI/Railway Act*: Certain areas fall under no-construction zones.
2. *CRZ (Coastal Regulation Zone)* restricts development (e.g., 500m from high tide).
3. *SEZ (Special Economic Zones)* boost exports and imports.
4. *Accommodation value* = Discounted value for landlocked land.
5. *Distress value* = Value under forced sale or adverse condition.
6. Location is not a characteristic of land – it's a locational advantage.
7. *NPV (Net Present Value)* = Depreciated replacement cost of a building.
8. In land acquisition, valuation is based on present replacement cost.
9. Forced sales are affected most by time constraints and distress conditions.

Types of Value – Quick Revision Tips

1. *Symbolic possession*: Bank has legal right, not physical control.
2. *Capitalization rate* = Return expected by an investor on capital.
3. *Speculative value* = Based on quick resale for profit.
4. *Synergistic value* = Combined value > sum of individual parts.
5. *Prestige value* = Higher due to adjacency to premium assets or celebrities.
6. *Stigma value* = Lower due to negative history or perception.

Basic Concepts – Quick Revision Tips

1. *Fair value* = Price

Chapter-4 Market Approach to Valuation

Introduction

The **Market Approach to Valuation** is one of the most widely accepted methods used to determine the value of real estate. It is based on the economic principle of **substitution**, which states that a prudent buyer will not pay more for a property than the cost to acquire an equivalent substitute property.

Types of Markets

Valuation using the market approach depends on understanding the nature of the market:

- **Perfect Market:** Homogeneous products, perfect information, no transaction costs.
- **Imperfect Market:** Real estate markets fall under this; property uniqueness and asymmetric information are common.

Market Survey and Data Collection

Accurate valuation begins with collecting reliable sale transaction data. Key sources include:

- Registered sale deeds (from sub-registrar's office)
- Local broker/agent inputs
- Newspaper advertisements
- Online property portals
- Auction sale data
- Valuation databases maintained by financial institutions or government agencies

Sales Comparison Method

The **Sales Comparison Method** is the cornerstone of the market approach. It involves comparing the subject property with similar properties recently sold in the area.

Factors of Comparison

The value is adjusted based on differences in attributes such as:

- **S – Size**
- **T – Time (Date of Sale)**
- **L – Location**
- **A – Age of Property**
- **Specification/Condition**

Adjustment Techniques

1. **Ad-hoc Comparison** – Basic visual or experiential comparison.
2. **Adjustment Grid Model** – Uses quantified percentage-based adjustments for each factor.
3. **Weighted Scoring System** – Assigns scores and weightages based on importance.
4. **Hedonic Pricing Technique** – A statistical model where price is expressed as a function of property characteristics.

$$P=f(S,T,L,A)$$

Where:

- P = Price
- S = Size
- T = Time adjustment
- L = Location adjustment
- A = Age adjustment

Example 1: Valuation of an Industrial Unit

Scenario

An industrial unit measuring **5,000 m²**, located on the **first floor** of a G+1 industrial building, is to be valued. A **ground-floor** industrial unit of similar configuration recently sold for ₹20,000/m². find out fair market value for **1000 M2 which is on First floor**

The objective is to determine the fair value per square meter for the subject (first floor) unit.

Adjustment Considerations (STLA)

Factor	Adjustment	Remarks
Size	+10%	Larger area typically attracts lower rate per m ² , so smaller units may command a premium.
Location	-25%	First floor is a disadvantage for industrial use due to limited access and functionality. Ground floor units are generally preferred.

Weightage Factor	-15%	A weighted adjustment is made considering reduced utility due to floor positioning.
------------------	------	---

Calculation of Adjusted Value = ₹17,000/m² × 1,000 m² = ₹1,70,00,000

Example 2: Valuation of a Residential Flat

Scenario

Quick Revision-One liner

MARKET APPROACH TO VALUE

1. **Based on the principle of substitution**—value is derived from comparable market transactions.
2. **Sale Comparison Method** is used for valuing marketable, non-investment properties.
3. **Equilibrium price** is where demand meets supply.
4. **Real estate is a complex asset class** influenced by multiple variables.
5. **Supreme Market Concept** is applied in the market approach for ideal conditions.
6. **Highest and Best Use (HABU)** is impacted by local Development Control Regulations (DCR).
7. **Petrol pumps are considered investment properties**, not generally marketable by comparison.
8. **Hedonic Pricing & Adjustment Grid Models** both rely on attribute-based comparisons.
9. **For hypothetical plotting schemes**, land value is usually determined by local Land Commissions.
10. **Bell Curve analysis** helps estimate equilibrium price by balancing demand and supply.
11. **Demand and supply curve** shows the relationship between quantity and price.
12. **Future price expectations** influence current real estate trends and market stability.

DEVELOPMENT METHOD OF VALUATION

1. **An indirect comparative method**, ideal for underutilized land with development potential.
2. Value is derived from a **hypothetical development model** assessing future project income.
3. **Land value = Gross development value – Cost of development**, known as **Residual Method**.
4. Applicable where **building income is capitalized** to assess net land value.
5. Follows the

Chapter-5 Income Approach of Valuation

The **Income Approach** is a widely used method to determine the value of an income-generating property. It is based on the principle that the value of a property is equal to the present worth of its anticipated net income.

Formula:

$$\text{Value} = \frac{\text{Net Income}}{\text{Capitalization Rate}} = \text{Net Income} \times \text{Years' Purchase (YP)}$$

Where:

- **Net Income** is the annual income after deducting all outgoings.
- **Years' Purchase (YP)** is the multiplier that converts net annual income into capital value.

Types of Leases in Income Valuation

1. Building Lease

A lease in which the lessee constructs a building on the leased land.

- The land remains the property of the lessor.
- The lessee gains rights to use the land and building for the lease term.

2. Occupational Lease

A lease agreement granting rights to use both land and building.

- Typically applies to commercial, residential, or industrial premises.

3. Sub-Lease

The transfer of lease rights by the original lessee to a third party.

- The original lessee becomes a **sub-lessor**, and the new tenant is called a **sub-lessee**.

Types of Rents in Lease Agreements

1. Ground Rent

The rent paid by a lessee to the landowner for the use of land, excluding any buildings or improvements.

- Common in long-term land leases.

2. Virtual Rent

A premium or lump sum paid in advance by the lessee at the beginning of the lease.

- It represents the notional annual rent value (i.e., **premium × YP**) for valuation purposes.
- Often considered in leasehold valuations where upfront payments replace regular rents.

3. Rack Rent

The full open market rental value of the property.

- It is the maximum rent obtainable and reflects current market conditions.
- It may include both land and building value.

4. Profit Rent

The surplus earned by a lessee when sub-letting the property at a higher rent than the rent paid to the head lessor.

Illustration:

- Head Rent (paid by lessee to lessor): ₹1.2 lakh/year
- Improved Rent (received by lessee from sub-lessee): ₹1.5 lakh/year
- **Profit Rent = ₹1.5 lakh – ₹1.2 lakh = ₹0.3 lakh/year**

This profit represents the economic advantage enjoyed by the lessee and may be capitalized in property valuation.

Important Terms to Remember

Term	Description
Head Rent	Rent paid by the primary lessee to the property owner (lessor).
Improved Rent	Rent received by the lessee from the sub-lessee.
Constructive Rent	Hypothetical or notional rent assumed for valuation, often used in litigation or taxation.

Valuation Concepts in Real Estate Finance

Annuities

An annuity is a series of equal payments made at regular intervals. In real estate valuation, annuities are used to estimate the present value of expected rental income or returns over a specified period.

- **Immediate Annuity:** Payments begin immediately.
- **Deferred Annuity:** Payments begin after a certain period.

Capitalization and Rate of Capitalization

Capitalization converts income into a capital value.

- **Capitalization Rate (Cap Rate)** = Net Operating Income (NOI) ÷ Property Value
- It reflects the investor's expected rate of return and risk.

Years' Purchase (YP)

Years' Purchase is the number of years' income required to recover the value of a property.

- **YP = 1 / Capitalization Rate**

Sinking Fund

A fund created by setting aside regular payments to replace a wasting asset or repay a loan.

- Used to calculate the amount needed periodically to accumulate a specific sum in the future, considering compound interest.

Redemption of Capital

This refers to the repayment or recovery of the capital invested in a property, often through rental income or at the end of a lease term.

Reversionary Value

The estimated value of the property at a future date after the expiry of the current lease or income stream.

- Common in leasehold valuations where rent may be revised in the future.

Yield in Real Estate Valuation

Yield refers to the income generated and realized from an investment over a specific period of time. It is expressed as a percentage of the total capital invested.

$$\text{Yield (\%)} = \left(\frac{\text{Annual Net Income}}{\text{Total Investment}} \right) \times 100$$

Types of Yield Rates in Valuation:

a) Remunerative Rate of Interest (Capitalization Rate):

Also known as the **rate of capitalization**, this is the expected rate of return on an investment based on current market trends and comparable investments.

- Typical Range: **5% to 9%**
- It represents the investor's required return and is used to convert net income into capital value.

$$\text{Capital Value} = \frac{\text{Net Income}}{\text{Capitalization Rate}}$$

b) Accumulative Rate of Interest (Rate of Recoupment):

This rate is adopted to **recover the invested capital** over a finite period, especially when income from a property will cease after a certain number of years (e.g., due to lease expiry, depreciation, or demolition).

- Typical Range: **3% to 4%**
- Also known as the **Redemption Rate of Capital**.

This ensures not just return **on** capital, but also return **of** capital.

2. Annuities, Capitalization, Sinking Fund, and Years' Purchase

These financial tools are fundamental in property valuation where future cash flows must be discounted or capitalized.

a) Simple and Compound Interest

Simple Interest (SI):

$$SI = P \times R \times N$$

$$A = P + SI = P(1 + RN)$$

Compound Interest (CI):

$A = P \left(1 + \frac{R}{100}\right)^N$	<p>Where:</p> <ul style="list-style-type: none"> • A = Amount after N years • P = Principal • R = Interest Rate (%) • N = Number of Years
--	---

b) Present Value (PV)

To determine the value today of a future amount:

$PV = \frac{A}{(1 + r)^n}$	<ul style="list-style-type: none"> • A = Future Amount • r = Interest Rate • n = Number of Years
----------------------------	--

c) Accumulated Present Amount (APA)

Used to calculate the total sum accumulated when a fixed amount is deposited annually:

$$APA = \frac{(1 + r)^n - 1}{r}$$

This formula calculates the **accumulated value of ₹1 deposited every year** for n years at rate r .

d) Sinking Fund Factor (SFF)

Used to find how much needs to be saved each year to accumulate a certain amount in n years:

$$C = A \times \frac{r}{(1 + r)^n - 1}$$

Where:

- **A** = Amount required at the end of n years
- **C** = Annual contribution (sinking fund)

This is particularly important when an investor wants to replace an asset (e.g., building) at the end of its life.

e) Years' Purchase (YP)

Years' Purchase is the multiplier used to convert annual net income into the capital value:

<ul style="list-style-type: none"> • In Perpetuity: 	$YP = \frac{1}{r}$
<ul style="list-style-type: none"> • For a Term of Years: 	$YP = \frac{1 - (1 + r)^{-n}}{r}$

Where:

- r is the capitalization rate
- n is the number of years

3. Key Real Estate Financial Concepts

Concept	Meaning
Yield	Return on investment, expressed as a % of investment.
Capitalization Rate	Rate at which net income is capitalized to estimate value.
Sinking Fund	Yearly savings to replace capital after a certain period.
Redemption of Capital	Recouping invested capital from limited-period assets.
Years' Purchase (YP)	Capital value multiplier based on expected years of income.
Present Value (PV)	Current value of a future income or amount discounted at rate r .

Example 1: Accumulated Sum from Annual Deposits (Using APA Formula)

Problem:

An employee contributes ₹2,000 monthly to a provident fund. This amount is deposited annually (i.e., ₹24,000 per year) at an interest rate of **6.5% per annum compounded annually**. Calculate the **total accumulated amount** at the end of **30 years**.

Solution:

This is a case of **annual recurring payments** deposited into a compound interest-bearing fund. The accumulated amount is given by:

$$A = C \times \text{APA}$$

Where:

- **A** = Amount at the end of the period
- **C** = Annual contribution = ₹2,000 × 12 = ₹24,000
- **APA** = Accumulated Present Amount factor = $\text{APA} = \frac{(1+r)^n - 1}{r}$
- **r** = Interest rate = 6.5% = 0.065
- **n** = Number of years = 30

Calculation:

$$\begin{aligned} \text{APA} &= \frac{(1 + 0.065)^{30} - 1}{0.065} \\ &= \frac{(1.065)^{30} - 1}{0.065} = \frac{6.63624 - 1}{0.065} = 86.3745 \\ A &= 24,000 \times 86.3745 = \boxed{\text{₹}20,72,996} \end{aligned}$$

Example 2: Sinking Fund to Recoup Capital (Using SFF Formula)

Problem:

Determine the **annual sinking fund amount** required to recover an initial capital of **₹10,00,000** at the end of **40 years**, assuming an interest rate of **3.5% per annum compounded annually**. This is typically used in building valuation where the structure is to be replaced after its economic life.

Solution:

$$C = A \times \frac{r}{(1+r)^n - 1}$$

The Sinking Fund formula is:

Where:

- **C** = Annual sinking fund contribution
- **A** = Amount to be accumulated = ₹10,00,000
- **r** = Interest rate = 3.5% = 0.035
- **n** = Number of years = 40

Calculation:

$$C = 10,00,000 \times \frac{0.035}{(1.035)^{40} - 1}$$
$$(1.035)^{40} \approx 3.950 \Rightarrow C = 10,00,000 \times \frac{0.035}{3.950 - 1} = 10,00,000 \times \frac{0.035}{2.950}$$
$$C \approx 10,00,000 \times 0.01186 = \boxed{\text{₹11,860}}$$

Capitalized Value and Years' Purchase (YP) in Valuation

Capitalized Value (CV)

In property valuation, **Capitalized Value** is the present worth of a perpetual or long-term income stream. It is computed as:

$$CV = \text{Net Income (NI)} \times \text{Years' Purchase (YP)}$$

Where:

- **NI** = Net annual income from the property
- **YP** = Years' Purchase – the multiplier used to convert income into capital value

Example 2: Leasehold Property Valuation with Interest and Reversionary Value

Scenario:

Mr. A leases out his office property to Mr. B for a period of 10 years, starting from **11.01.2022**, with an annual net lease rent of ₹3 lakhs. The fair market value (FMV) of the property on **20.02.2022** is ₹800 lakhs.

The annual outgoings of ₹3 lakhs include property tax, maintenance, etc. Additionally, Mr. B provides a refundable security deposit of ₹100 lakhs to Mr. A. This deposit is **refundable without interest** at the end of the lease.

Lease Rental Schedule:

Lease Term	Annual Lease Rent
11.01.2022 to 10.01.2025	₹45 lakhs
11.01.2025 to 10.01.2028	₹52 lakhs
11.01.2028 to 10.01.2032	₹60 lakhs

Assumptions:

- **Capitalization Rate (Yield): 9%**
- **FD Rate (used for interest on refundable deposit): 6%**
- **Annual Property Value Increase: 1% (Simple Rate)**

Step 1: Capitalization of Lease Rent

(a) From 20.02.2022 to 10.01.2025 (2.89 years i.e 1055 days/365 days in a year)

NI=45-3=₹42 lakhs

$$\text{Capitalized Value (CV)} = 42 \times \frac{1 - (1/(1 + 0.09)^{2.89})}{0.09}$$

$$CV_{2022} \approx ₹102.88 \text{ lakhs}$$

(b) From 11.01.2025 to 10.01.2028

$$NI = 52 - 3 = ₹49 \text{ lakhs}$$

$$CV_{2025} = 49 \times \frac{1}{0.09} = ₹544.44 \text{ lakhs}$$

$$\text{Bring to present value (PV) : } CV_{RA2} = \frac{124.02}{(1 + 0.09)^{2.89}} \approx ₹96.68 \text{ lakhs}$$

(c) From 11.01.2028 to 10.01.2032

$$NI = 60 - 3 = ₹57 \text{ lakhs}$$

$$CV_{2028} = 57 \times \frac{1}{0.09} = ₹633.33 \text{ lakhs}$$

$$\text{Bring to PV as of 20.02.2022 : } CV_{RA2022} = 184.66 \times \frac{1}{(1 + 0.09)^{5.89}} \approx ₹111.15 \text{ lakhs}$$

Quick Revision One-Liners: Income Approach to Valuation

Types of Rent

1. **Rack Rent** – The highest rent a property can command in the open market.
2. **Standard Rent** – The legally fixed lowest permissible rent, often under rent control laws.
3. **Ground Rent** – Rent paid for land alone, excluding any structure.
4. **Secured Ground Rent** – Rent paid with an additional secured deposit.
5. **Unsecured Ground Rent** – Rent paid without deposit; lessee may build on leased land.
6. **Economic Rent** – The expected rent based on property yield and demand.
7. **Contract Rent** – The actual rent agreed in the lease contract.
8. **Reversionary Rent** – Expected future rent after expiry of current lease.
9. **Fair Rent** – Rent reasonably expected under fair lease terms.
10. **Nominal Rent** – A symbolic or minimal rent, not reflecting market value.
11. **Outgoings** are expenses deducted from property income to arrive at net operating income.
12. **Income** is the rent received or expected from a property under lease terms.
13. **Yield** is the rate of return on investment in property based on income generated.
14. **Years Purchase (YP)** is the multiplier used to convert income into capital value.
15. **Market Rent** is the fair rent determined by demand-supply and comparables in the open market.
16. **Standard Rent** is the rent fixed under rent control laws, typically the lowest allowable.
17. **Rack Rent** is the full gross rent receivable annually from the property.
18. **Virtual Rent** includes actual and notional rent receivable over the lease period.
19. **Head Rent** is the rent paid by the head lessee to the head lessor.
20. **Concessional Rent** is a nominal rent fixed by the landlord for relatives or special cases.

Market Rent & Standard Rent Determination

1. **Market Rent** – Determined by comparable rentals, yield rate, and location.
2. **Standard Rent** – Fixed by rent control legislation; often lower than market rent.
3. **Reversionary Value** – Affects standard rent and future income after lease ends.
4. **Post-World War-II, Rent Control Act** – First applied in Mumbai to regulate excessive rents.
5. **Fair Return on Land Investment** = 7% + 1.5%; for building = 7% + 2.5%.

Capitalization & Yield Concepts

1. **Capitalization Rate** = Net Income / Market Value.
2. **Years' Purchase (YP)** – The number of years' income required to recover the capital value.
3. **YP Formula** = 1 / Rate of Return.
4. **Remunerative Rate of Return** – Expected rate from property investment (typically 8–9%).
5. **Rate of Redemption (Recoupment)** – The effective interest rate required to recover capital.
6. **Annuity** – Annual net income derived from capital investment.
7. **Capital Investment** – Present amount invested to receive future income.
8. **Amortization** – Recovering the capital through constant returns over a period.

Lease & Income Concepts

1. **Income from property** = Net Operating Income × Yield.
2. **Lessor's Obligation** – Provide possession and disclose property defects.

CHAPTER-15 (CASE STUDY FOR EXAM POINT OF VIEW)

Case Study 1. – Belting Method of Valuation

Question

A plot of land having a **frontage of 50 feet** and **depth of 300 feet** is to be valued using the **Belting Method**.

- **Prevailing market rate** = ₹600 per sq.ft.
- As per market practice:
 - **First 50 feet depth** → 100% value.
 - **Next 50 feet depth** → 2/3rd (66.67%) value.
 - **Remaining depth** → 1/2 (50%) value.

Calculate the value of the plot.

Step 1: Divide into Belts

- **Belt 1 (Front 0–50 ft depth):**
Area = $50 \times 50 = 2,500$ sq.ft.
Rate = 100% of 600 = **₹600 per sq.ft.**
- **Belt 2 (Next 50 ft depth, i.e. 50–100 ft):**
Area = $50 \times 50 = 2,500$ sq.ft.
Rate = $2/3 \times 600 = ₹400$ per sq.ft.
- **Belt 3 (Remaining 200 ft depth, i.e. 100–300 ft):**
Area = $200 \times 50 = 10,000$ sq.ft.
Rate = $1/2 \times 600 = ₹300$ per sq.ft.

Step 2: Calculate Value of Each Belt

- Belt 1: $2,500 \times 600 = ₹15,00,000$
- Belt 2: $2,500 \times 400 = ₹10,00,000$
- Belt 3: $10,000 \times 300 = ₹30,00,000$

Step 3: Total Value

Total Plot Value = 15,00,000 + 10,00,000 + 30,00,000 = ₹55,00,000

Additional Scenarios for Valuers

◆ Scenario 1: Road on Two Sides (Corner Plot)

If the plot has roads on two sides (front + side), belting may be applied from both directions. Valuer can take a **weighted average** or consider **premium for dual frontage**.

◆ Scenario 2: Commercial vs. Residential Use

If the front portion is commercial and the rear is residential, **different rates** must be applied to respective belts.

◆ Scenario 3: Irregular Shape Plot

For triangular, trapezoidal, or L-shaped plots, divide into **regular measurable belts**. The irregular balance may be adjusted as per market trend.

◆ Scenario 4: Depth Beyond Standard Depth

If **local market depth standard** = 150 ft, but actual depth = 300 ft:

- First 150 ft → belting method.
- Extra 150 ft → value at **lower agricultural/open land rate**.

◆ Scenario 5: Deduction for Road Widening / Setback

If the **front belt** is affected by road widening, setback, or reservation, its value should be **deducted proportionately**.

Case Study 2. – Valuation by Income Approach (Y.P. Method)

Question:

A Corporation decided to lease **40,000 sq.ft.** of land for **60 years**.

- Prevailing land rate = **₹2,000 per sq.ft.**
- Years' Purchase (Y.P.) = **16.67 (i.e., 100/6%)**
- Calculate the **annual rent** and **monthly rent** payable.

Step 1: Calculate Capital Value (CV)

$$CV = \text{Area} \times \text{Rate}$$

$$CV = 40,000 \text{ sq.ft} \times 2,000 = ₹800 \text{ Lakh}$$

Step 2: Relation Between Capital Value, Net Income, and Y.P.

$$CV = \text{Net Income (NI)} \times \text{Y.P.}$$

$$800 = \text{NI} \times 100 / 6$$

$$\text{NI} = \text{Rs } 48 \text{ Lakh per annum} \quad \& \quad \text{Rs } 4 \text{ Lakh/ Month}$$

Additional Scenarios for Valuers

◆ Scenario 1: Different Rate of Interest

If market interest rate is **8% instead of 6%**:

$$\text{Y.P.} = 100 / 8 = 12.5$$

$$\text{NI} = 800 \times 8 / 100 = 64 \text{ lakh per annum}$$

$$\text{Monthly Rent} = ₹5.33 \text{ lakh.}$$

◆ Scenario 2: Leasehold with Reversionary Value

If lease is for 30 years and land is expected to revert back with residual value, valuer must consider **Present Value of Rent + Present Value of Reversion.**

◆ Scenario 3: Property with Outgoings

If property has **outgoings** like taxes, insurance, and maintenance, then:

$$\text{NI} = \text{Gross Rent} - \text{Outgoings}$$

Capital value is based on **Net Income, not Gross Rent.**

◆ Scenario 4: Changing Rent over Time (Escalation Clause)

If lease agreement provides **rent increase every 5 years**, valuer must apply **Discounted Cash Flow (DCF)** or **Deferred Y.P.** method.

◆ Scenario 5: Perpetual Lease / Freehold Valuation

If lease is perpetual, $\text{Y.P.} = \text{Perpetuity} = 100 / \text{Rate of Interest}$.

E.g., at 6% $\rightarrow \text{Y.P.} = 16.67$.



This case is a classic example of **Income Capitalization Method.**

It teaches valuers how **rate of interest and Y.P.** directly affect rental value.

Case Study 9. Undivided Share (UDS) of Land

Background

- **Land Area** = 4000 sq.ft.
- **Construction** = 3 Flats constructed by Mr. X and sold to 3 different owners.
- **Flat Areas:**
 - Flat 1 = 3000 sq.ft.
 - Flat 2 = 2000 sq.ft.
 - Flat 3 = 1000 sq.ft.

Step 1: Find FSI (Floor Space Index)

FSI = Total Built-up Area / Land Area

$$\text{FSI} = 3000 + 2000 + 1000 / 4000 = 6000 / 4000 = 1.5$$

Step 2: Find UDS for Each Flat

Formula:

$$\text{UDS} = \text{Flat Area} / \text{FSI}$$

- **Flat 1:** UDS = $3000 / 1.5 = 2000$ sq.ft.
- **Flat 2:** UDS = $2000 / 1.5 = 1333.33$ sq.ft.
- **Flat 3:** UDS = $1000 / 1.5 = 666.67$ sq.ft.

✓ Total UDS = $2000 + 1333.33 + 666.67 = 4000$ sq.ft. (Matches total land).

Step 3: Ownership Percentage of Land

$$\% \text{ Share} = \text{UDS} / \text{Total Land} \times 100$$

- Flat 1 → $2000 / 4000 \times 100 = 50\%$
- Flat 2 → $1333.33 / 4000 \times 100 = 33.33\%$
- Flat 3 → $666.67 / 4000 \times 100 = 16.67\%$

Scenario 1: If FSI = 2 instead of 1.5

- Total construction allowed = $4000 \times 2 = 8000$ sq.ft.
- If flats remain the same (3000, 2000, 1000), then **balance 2000 sq.ft. FSI is unused.**
- UDS allocation remains same (4000 land fully divided).
- Shows impact of unused FSI in valuation.

Scenario 2: If land was 6000 sq.ft. instead of 4000

- Total Built-up = 6000 sq.ft.
- FSI = $6000 \div 6000 = 1$
- UDS = Flat area $\div 1$ = Flat area itself.
 - Flat 1 = 3000 sq.ft.
 - Flat 2 = 2000 sq.ft.
 - Flat 3 = 1000 sq.ft.

Here, each flat owner gets UDS equal to **their flat area.**

Scenario 3: If one buyer buys two flats

Suppose **Flat 2 + Flat 3** are bought by one person.

- Total flat area = $2000 + 1000 = 3000$ sq.ft.
- UDS = $1333.33 + 666.67 = 2000$ sq.ft.
 - ✓ He now owns **50% share of land** (equal to Flat 1 owner).

About the Book

Valuation Essentials: Land & Building is a practical and concise guide tailored for civil engineers, valuation professionals, and IBBI aspirants. Covering maximum IBBI syllabus, it offers quick revision notes, practical case studies, and standard-based insights to master the concepts of land and building valuation. Whether you're preparing for exams or handling real-life valuation assignments, this book is your go-to reference.


Key Highlights:

- ✓ Mapped with IBBI Valuation Exam Syllabus
- ✓ Quick Revision Notes for Last-Minute Preparation
- ✓ Case Studies for Real-Life Insight
- ✓ Coverage of Valuation Standards (IBBI)
- ✓ Case Studies & Quick Revision Notes

About the Author

Vr. Shubham Bansal is an IBBI Registered Valuer (Land & Building), Chartered Engineer, and seasoned civil engineering professional. With credentials including B.Tech (Civil), Diploma in Civil, AMIE, and AIV, he serves on panels of multiple nationalized banks and institutions. His hands-on experience and training expertise bring unmatched clarity to complex valuation concepts.

Contact:

 Email: sbbansal19@gmail.com

 [linkedin.com/in/shubham-bansal-5a274099](https://www.linkedin.com/in/shubham-bansal-5a274099)

© 2025 VR Shubham Bansal

All rights reserved. No part of this publication may be copied, stored or shared in any form without prior permission from author.

ISBN: 978-93-343-2840-0