



IIV INDIA REGISTERED VALUERS FOUNDATION

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DIFFERENCE BETWEEN BANKING AND INVESTMENT BASED REAL ESTATE VALUATION;

BY- VALUER ALHAD DESHPANDE
B.E. [CIVIL], M.I.E., F.I.V., M.O.V.
IBBI REGISTERED VALUER

INTRODUCTION;

Friends, as we all know, we professional valuers are working as panel Valuer for banks as well as consultant in real estate investments. There is vast difference in these two segments as value varies with purpose and perspective. In banking sector, we need to emphasis on secured or realizable value of immovable asset, which bankers wants to know prior finance to secure their debts. But in real estate investments, our focus shifts on "HIGHEST AND BEST USE [HABU]" of the property to be valued. In banking valuations, Valuer has mainly to perform two roles, one of channel business associate or partner and other of skilled Valuer. For a long term successful career in banking related valuations one must perform both mentioned roles skilfully in order to create a reputation amongst bankers and lending borrowers!



In real estate valuation, in open market, role is to value an asset which helps the investor to take appropriate decision, whether to go for investment or not! Here Valuer should be ready with knowledge of ownership Documents like title deeds, 7/12 extract, P.R. CARD, technical compliance like NON-AGRICULTURE CONVERSION ORDER [N.A.], LAYOUTS, TOWN PLANNING AND OTHER BUILDING APPROVALS, along with knowledge of economics, consumer behaviour, various property related laws, environmental, social, technical, legal aspects and review of deals of properties in and around same area in which real estate investment is proposed , ready reckoner value as well as current market value !

COMPARISON STATEMENT SHOWING DIFFERENCE IN APPROACHES OF VALUING FOR BOTH SEGMENTS;

Valuation for banking	VS	Valuation for real estate
Realizable or secured value focussed!		Highest and best use focussed!
Being channel partner or banking business associate, many times opinions are subjected change according to situation, and no more remains perfect technical analysis report!		Job is entrusted to an experienced, learned real estate value with high professional soft skills in various segments of real estate, so no chance of involvement of client or his representative!
Moderate accuracy in terms of range in property value is expected!		High accuracy in terms of returns on property is expected!
Valuation report normally covers fair market value, realizable value, distress value, insurable value etc.!		Valuation report normally covers fair market value, marketability, fair rent on investment, feasibility and flexibility of investment, along with assured returns, cash flow in open market!
Valuation report is basically a loan formality and often treated as cost or overheads in client's books, from which processing, valuation, legal charges are deducted!		Here valuation report is never a formality, it's of unique importance, on which risks involved in investments are analysed skilfully!

In case of default, bank depanel the Valuer or drag him into the court!		Here in case of any misconduct, Valuer loses his goodwill and thrown out of market!
Valuer's fees is decided by banks and same is reducing day by day due to cutthroat competition in banking sector!		Valuer's fees is quoted by Valuer and negotiated by client, which gets increased depending on skilled performance of Valuer and his key role in generating a high value returns/revenue based model for his client!
There is always fear of competition between valuers as number of valuers have increased drastically in past few years. Even banks have relaxed the condition of various valuation professional registrations from competent authorities!		There is no competition for professional skilled, knowledgeable valuers, who assures best real estate investment guidance to his clients, only aspect is research and development is must with own continuous education programme

CONCLUSION/SCOPE OF PROFESSION IN COMING FUTURE;

For banking related valuations,

In coming or near future, banks mergers are expected so naturally policy decisions are going to change according to the situation. So valuation fees will be nominal or may be of fixed nature. Also lot of financial institutions are coming in money lending segment in private market, which is going to be tough situation for all banks.

Earlier before few years, banking valuations were supposed to be a cash crop as required not much knowledge, expertise, fees were also property value based etc., but now situation has changed drastically, everything has gone reverse, fees is reduced, responsibilities on valuers, punishments, imprisonments /offense etc. are going on. In such scenario, one possibility is always there that banking valuation may be done in house by banks from their employees in future.

Slowly experienced valuers will leave banking sector or will make it as their secondary income source and will try to focus on other segments in civil engineering and construction industry like becoming builder, developer, and contractor.

For real estate investments related valuations;

This sector is new for valuers right now, but after implementation of RERA, here also Valuer can play dual role, one of RERA AGENT OR ESTATE BROKER and other of professional expert with high quality soft, professional techno-legal skills, can create dual revenue model for himself.

Many institutions and industries are now demanding rental/letting value based reports from professionals, by paying them handsome fees with high respect too, which is worth-mentioning. There is no fees cap or constraints as such right now, which may be there after field gets recognition in terms of consistent revenue model.


I will like to suggest young valuers to explore various sectors in civil engineering which are either service based or consultancy based like land measurements, plot demarcations, construction, fabrication, Project management consultant etc., which will definitely help them to build a strong high revenue generating career in near future !

Note : If any one willing to interest to publish article with IIV-RVF please do connect with us on



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Details Please Contact**

 info@iivrvf.org

 +91 9822 369 740



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