EXISTING APPROACHES TO REAL ESTATE APPRAISAL AND WAYS TO IMPROVE THEM

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Abstract. The valuation of real estate is a central tenet for all businesses. Land and property are factors of production and, as with any other asset, the value of the land flows from the use to which it is put, and that in turn is dependent upon the demand (and supply) for the product that is produced. Valuation, in its simplest form, is the determination of the amount for which the property will transact on a particular date.

Key words: Market surveys, Real estate, Forecasting, Estimation, Assets valuation.

Introduction: Real property is defined as all the interests, benefits, rights and encumbrances inherent in the ownership of physical real estate, where real estate is the land together with all improvements that are permanently affixed to it and all appurtenances associated thereto.

The valuation of real estate is therefore required to provide a quantitive measure of the benefit and liabilities accruing from the ownership of the real estate. Valuations are required,and often carried out, by a number of different players in the marketplace. These may include:

- real estate agents;
- appraisers;
- assessors;
- mortgage lenders;
- brokers;
- property developers;
- investors and fund managers;
- lenders.

This paper aims to examine the valuation of real estate prices, using prediction strategy based on selection of the best fitting model for use. The objective of the paper is to review the various methods used in real estate valuation. For any valuation to have validity it must produce an accurate estimate of the market price of the property. The model should therefore reflect the market culture and conditions at the time of the valuation. It should be remembered that the model should be a representation of the underlying fundamentals of the market. Thus, in the property market, what is often called a valuation'' is the best estimate of the trading price of the building.

In many property markets it is commonplace for the ownership of property to be separate from its use. Often the price of exchange will be the same whether the purchaser has investment or occupation in mind, but nonetheless the view of the two groups of bidders will be different. An investor will view worth as the discounted value of the rental stream produced by the asset, whereas the owner-occupier will see the asset as a factor of production and assign to it a worth derived from the property's contribution to the profits of the business. No doubt both groups of bidders will also be mindful of its potential resale price to a purchaser from the other group.

One of the paramount concerns of the valuation profession is the need to ensure that information presented to a client is clear and unambiguous. Not only should all parties understand the terminology used, it is also important that the client receives all other information that might be required to make a rational financial or investment decision. The latter point does not only concern the semantics of definitions of exchange price (see below), but must also address the issue of valuation methodology. Given that clients are themselves becoming more sophisticated in the way they determine whether to buy or sell property,then the pricing model used to assess the most likely exchange price should reflect their thought processes. This requires the valuer to better understand the client's requirements and leads to the adoption of more advanced valuation models which can reflect the increased level of data and information available.

A definition of value is an attempt to clarify the assumptions made in estimating the exchange price of a property if it were to be sold in the open market. These assumptions can include the nature of the legal interest, the physical condition of the building, the nature and timing of the market, and assumptions about possible purchasers in that market. Given that a compelling reason for using market value definitions is to ensure consistency in the process of valuation, it is important that there is a consistency of definition in all countries. For this reason,the International Valuation Standards Committee (IVSC) has set a standard" to provide a common definition of market value. Market value is a representation of value in exchange,or the amount a property would bring if offered for sale in the open market at the date of valuation under circumstances that meet the requirements of the market value definition. In order to estimate market value, a valuer must first estimate the highest and best use,or most probable use. That use may be a continuation of a property's existing use or some alternative. These determinations are made from market evidence.

Conclusions. In this paper we have reviewed the methods that have een used for estimating real estate property's value. The existing European (UK) and North American (US) literature considers that the compara le method is accurate and relia le estimated method. Many researchers have their reservations a out method's relia ility ecause of the su jectivity of the key varia le choice. In cases where there is lack of data we can use the compara le method. The surveyor imprints the property market in order to estimate the value of the property. He or she has to determine the comparative set of properties and recognizes the key varia les. This method allows us to focus on selection, evaluation and registration of the value elements that is very important in appraisal.

Other methodologies that are also presented in this paper can resolve the pro lem of estimating the value of properties as a possi ility in this regard. For example,the resulting regression coefficients provide estimates of the value of individual property features. This offers a scientific asis for the price adjustments and does not rely on the judgment and experience,or inexperience, of the appraiser or agent. Regression analysis can also handle many more compara les than the few generally used in comparative market analyses performed y real estate agents or accredited appraisers.

The objective of the paper is to survey the functional forms (methods) used in real estate estimation. In this way, we can use the appropriate method according our criteria to estimate property value. There is continuing debate about the interpretation of value concepts by means of definitions of value and their implementation by means of a valuation methodology. As valuers move from operating in their home country to the demands of a European and international marketplace, these issues are likely to become more complex. Conversely, the cross fertilisation of ideas provides an opportunity for improved theory and practice.

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