

Real estate valuation for special purposes in Poland

- Introduction
- Methods of real estate valuation
- Valuation where property market is limited or non-existent

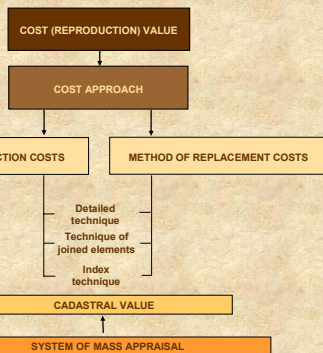
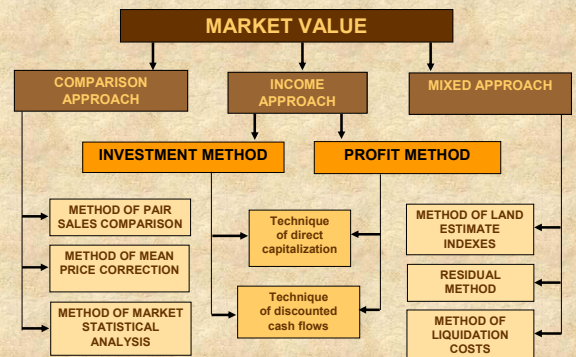
Introduction

- Certified real estate valuer, land broker and real estate manager – three of real estate – related professions in Poland
- Real estates can only be assessed by certified valuers
- The certificate is issued by the Minister for building construction

Methods of real estate valuation

- Types of property values and methods of valuation are regulated by Acts of Parliament and Regulation of the Council of Ministers
 - ❖ Market value
 - ❖ Cost value
 - ❖ Cadastral value
 - ❖ Other types of value
- Procedure of valuation are described in professional valuation standards

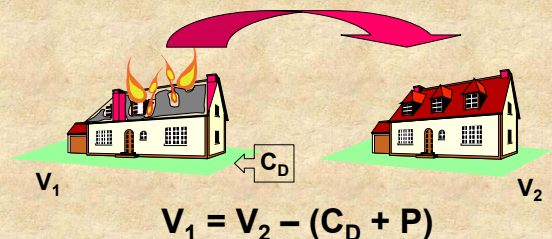
Classification of methods of market value valuation



Classification of methods of non – market value valuation

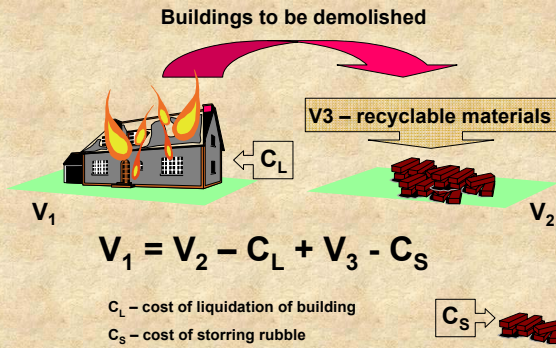
Valuation in special circumstances

Real estate which is to be developed

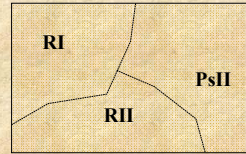


C_D – cost of reconstruction
 P – investor's profit

Valuation in special circumstances



Valuation in special circumstances



Agricultural land

$$V_{AL} = \sum_{i=1}^n I_{ij} \cdot P \cdot S_i$$

P – the price of 1 quintal of rye
 I – an estimation index

| Tax district | Estimation indexes in quintals of rye grain per 1 ha of arable land | | | | |
|--------------|---|-----|------|-----|-----|
| | classes of land | | | | |
| | I | II | IIIa | IVb | Vlz |
| I | 145 | 132 | 118 | 60 | 8 |
| II | 126 | 115 | 103 | 52 | 5 |
| III | 110 | 100 | 90 | 46 | 1 |
| IV | 94 | 85 | 76 | 38 | 1 |

| Tax district | Estimation indexes in quintals of rye grain per 1 ha of meadows and pastures | | |
|--------------|--|-----|-----|
| | classes of land | | |
| | I | II | Vlz |
| I | 145 | 118 | 5 |
| II | 125 | 103 | 3 |
| III | 110 | 90 | 1 |
| IV | 94 | 76 | 1 |

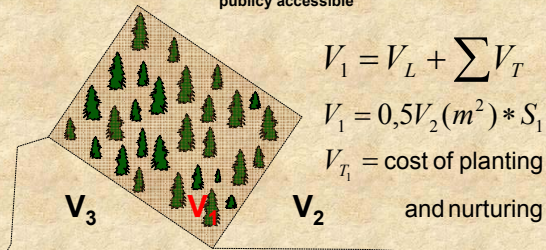
Example:

$$V_{AL} = 145 * 0,5ha * 15 \text{ €} + 132 * 0,7ha * 15 \text{ €} + 118 * 1,0ha * 15 \text{ €} = 4627,50 \text{ €}$$

Valuation in special circumstances

Real estate overgrown with trees, bushes or forests

Situation 1 Property is situated in an urban investment zone and publicly accessible



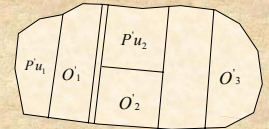
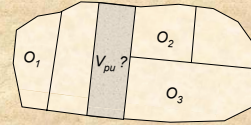
Situation 2 Property is situated outside zones of urban investment – as agricultural land based on the method of land estimation indexes

Valuation in special circumstances

Perpetual usufruct right of real estate

Situation 1 There are no sales of the right of perpetual usufruct but there are sales the right of ownership

And There are sales the right of perpetual usufruct and ownership on comparable market



$$V_{Pu} = V_o * r'$$

$$r'_1 = \frac{P'u_1}{O'_1}, \quad r'_2 = \frac{P'u_2}{O'_2} \dots$$

$$r' = \frac{r'_1 + r'_2 + \dots + r'_n}{n}$$

Perpetual usufruct right of real estate

Situation 2 There are no sales concerning the right of perpetual usufruct either on the local or neighbouring market but there are sales of the right of ownership

$$V_{Pu} = V_o * C_c$$

$$C_c = \left(1 - \frac{r}{R}\right) * \frac{t}{T} + 0,25 \frac{T-t}{T}$$

C_c – the corrective coefficient

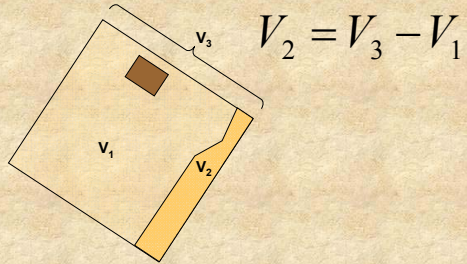
t – the number of years for the end of lease period

T – the number of years of lease period

$r \leq 3\%$ – annual payment rate

$9\% \leq R \leq 12\%$ – capitalisation rate

Land acquired for the improving the conditions on an adjacent plot



Real estate left outside the borders of Poland in connection with World War II



$$V_1' = V_1 * 0,64$$

$$V_2' = V_2 * 1,0$$