

BUILDING VALUE QUESTIONS

1 In which circumstances should the "direct comparison" method of valuation be used in valuation practice?

2 What are the advantages and disadvantages of using the summation method of valuation?

3 Why is the summation method sometimes called the residual value method?

4 Why does desirability as a component of value imply the summation method of valuation?

5 When is the summation method used in preference to the direct comparison method?

6 "Comparability is one of the most difficult and vexatious valuation problems."

Discuss the above quotation in relation to the use of the direct comparison and summation methods of valuation. When should the valuer move from the direct comparison to summation method?

**7 Why should the valuer carry out both a primary and secondary method of valuation?
Illustrate your answer with 4 examples.**

**8 Give 3 examples that show the dangers of "averaging".
When can averaging be used?**

9 Why is the developer or owner prepared to give a discount for an in line sale of blocks of land or home units?

10 When is the architecture or "style" of a house an important part of value?

11 What is the difference between an art nouveau and an art deco house?

12 What is meant by the finish of a house and when is it an important component of value?

13. Determine the replacement cost new of the following house:

- **Builder's contract price: \$120 000**
- **Loss of interest: 10% per annum**
- **Holding charges: \$200 per month**
- **Developer's profit: 12% overall**
- **Expected period to build: 9 months.**

14 How can scales of value be used to value a house for which there is no direct sale evidence?

15 Discuss the advantages and disadvantages of statistical "methods" of value such as multiple regression analysis.

16 Analyze the use of sales evidence in the Seatainers case

17 What is meant by the claim that valuation includes an "art" component?

Give examples of this component in valuation practice.

18 What is opportunity cost? How is the concept used in valuation?

19 Name 2 common ways of valuing a house situated in the inner city?

20 What unit of measurement is used to value a residential house with the summation method?

21 What steps would you take to value a large residence (>350m²) in an inner city suburb?

22 What does the valuer have to be careful about when called upon to value a small asbestos cement house in an expensive and exclusive suburb?

23 What statutory laws does the valuer have to be aware of when valuing a residential house?