

## Real estate valuation for special purposes in Poland

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

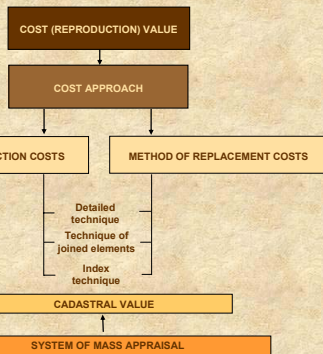
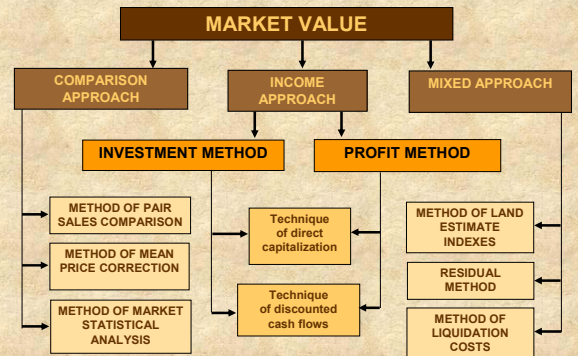
## Introduction

- 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

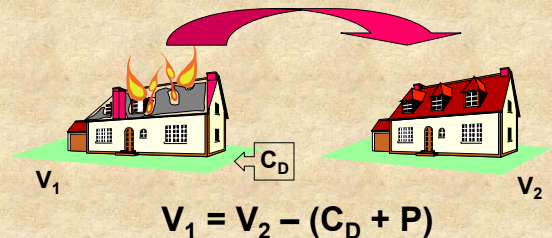
## Classification of methods of market value valuation



Classification of methods of non – market value valuation

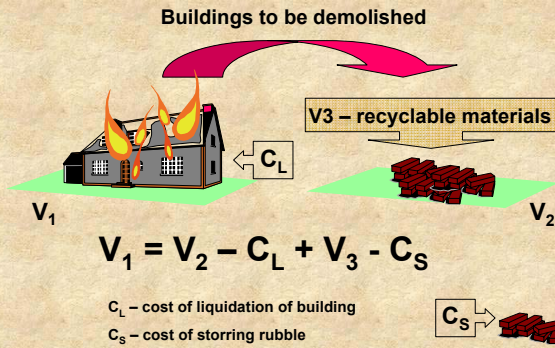
## Valuation in special circumstances

Real estate which is to be developed

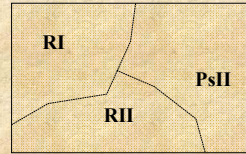


$C_D$  – cost of reconstruction  
 P – investor's profit

## 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

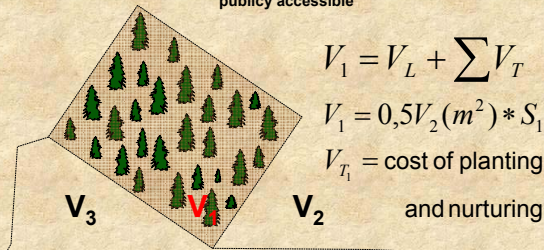
Tax district	Estimation indexes in quintals of rye grain per 1 ha of meadows and pastures		
	classes of land		
	I	II	Vlz
I	145	118	5
II	125	103	3
III	110	90	1
IV	94	76	1

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

## 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



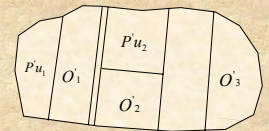
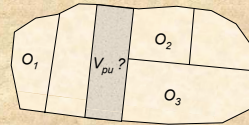
**Situation 2** Property is situated outside zones of urban investment – as agricultural land based on the method of land estimation indexes

## 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

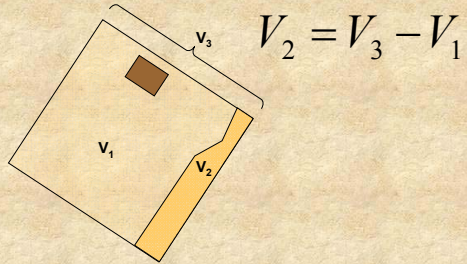
$t$  – the number of years for the end of lease period

$T$  – 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



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

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