

31st July, 2021

WRITE UP OF VALUATION MADE OF COMMERCIAL PROPERTY AS PER IBBI REQUIREMENTS

Purpose:

We understand that the appraisal is required by the Client to know the fair rental value of the property.

Scope of Appraisal:

Our scope of work in terms is primarily focused on reviewing and evaluating the fair value and liquidation value of the immovable assets based on the information and details provided to us. For the purpose of our valuation, we have visited the properties and reviewed documents, as made available to us for this assignment. We have carried out this valuation of immovable assets based on the details available to us. It is clearly understood that the purpose of this assignment is only to provide suggestive inputs in terms of indicative values of the said assets in the context of current situation as perceived by us on a review of available material and from discussions with various reliable sources.

Critical Assumptions:

This appraisal exercise is based on the premise that the subject property has a clear title and is free from any encumbrances, disputes, claims, etc. Valuer has not made any inquiries in this regard with the relevant legal/statutory authorities. For the purposes of this appraisal exercise, no other special assumptions have been made other than those contained elsewhere in the report.

It must be noted that all factual data viz. built-up area etc. has been sourced from Client's Representative. Valuer has not validated the information provided by the Client's representative from any relevant local authorities.

It was mentioned that the property has 3000 sq.ft. but as per measurement unit on 3rd floor has a carpet area of 2525 sq.ft. on site and as per approved plan it has a built up area of 2625 sq.ft. We are considering the

built up area of 2625 sq.ft. as per approved plan for the purpose of fair rental valuation of the property.

We are assuming that the property is vacant so as to ascertain the fair rental value of the property.

Market Value Definition:

As per RICS Appraisal Manual, the Market Value (MV) is defined as: “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Qualifications:

This valuation is prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and is complied with International Valuation Standards (IVS). The liability of valuer and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third parties is accepted. You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. Your obligation for indemnification and reimbursement shall extend to any controlling person of valuer, including any director, officer, employee, subcontractor, affiliate or agent.

Based on site visit, it is understood that the subject property is a commercial property. The same has been adopted for the purpose of this appraisal exercise. Considering the nature of subject property coupled with site, location and profile of the surrounding properties, the use of the subject property is opined to be in conformity with the current development

Scope of Valuation:

The valuation exercise is aimed at the assessment of the Fair Rental Value (FRV) of the subject property. In considering the value of the property, we

have considered the guidelines laid out in the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (RICS), U.K.

Methodology Adopted/ Basis of Valuation Fair Rental Value Methodology
Basis for Valuation

- Type, Quality and Technical specifications of construction.
- Maintenance and Present condition as on the date of visit.
- Estimation of the remaining useful life of the structures, based on year of construction and maintenance.
- Average useful life is taken as approx. 60 years for RCC structures, if properly maintained.

The demand for property in the location is very high as the property is situated in a prime location. Due to the prevailing restrictive market conditions and continuing lockdowns attributed by the existing Covid-19 pandemic, the prices of real estate market are very volatile. The market is expecting a correction, but there is no reasonable certainty for time period to be taken for such correction. There is unconfirmed news for the continuance of the economic and social lockdowns for an unexpected longer period, caused by rapidly increasing corona positive cases in India. The condition has affected the cash flow of individuals and has impacted the commercial activity in our country. We have factored the scenario while arriving at the fair value of the asset as on the valuation date.

Market Rates:

For the purpose of this valuation assignment, we have followed Direct Comparison approach to arrive at the Fair Value of our subject property i.e. commercial office. We have done a market analysis of similar office units available for sale in the location.

Fair Value:

On the above mentioned facts and information the Fair Value of the property is calculated as under:

- Area in sq. ft. : 2625
- Rate per sq. mts.:Rs.20,400
- **Fair Rental Value:Rs.5,35,50,000**

RENTAL CALCULATIONS FOR VALUATION: -

Total Fair market Value = Rs. 5,35,50,000/-

Annual Rate of Return adopted = 5.00%

Rental Value Per Annum Rs. 5.355 @ 5.00% P. A. = Rs. 26,77,500/-

Rental Value Per Month Rs. 26,77,500/- (\div) 12 = Rs. 2,23,125/-

Rental Value Per sq.ft. Per Month Rs. 2,23,152/- (\div) 2625 = Rs. 85/- *(Net Rent Exclusive of Outgoings)

SAY Rs. 85/- Per sq. ft. Per Month

*Note - While taking security deposit of the property the fair rent may vary as per the prevailing market conditions.
