

# Real estate micro location as a new value factor in a national methodological frame for property appraisal

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## **Abstract**

The national methodology for property appraisal in FYROM is a binding legislative framework upon which the approaches for determining the market value of real estate properties are based. The methodological framework is established on the principles of cost approach, selectively building the indexes for each cofactor as function of: the constructive character of the facilities, the infrastructure segments such as the system for energy, water supply, sewage, heating, number of floors, the purpose of the building, façade, doors and windows, type of floors etc. According to these cofactorial variations, as a methodological framework, the construction value of the building is appraised, and with the implementation of the spatial cofactors that are concentrated around conducted real estate transactions, the intensity of the attendance and attractiveness of the location, the methodological framework builds an approach through which the market value of the real estate is appraised.

The paper will present the results of conducted analyzes of the appraised values with the current methodology and extension of the methodology with micro location characteristics (view, access, aspect etc.) of the real estate as a new cofactor with its own value implications.

In this research cofactor micro location is set as property surroundings, view, aspect of the property, entrance access and traffic frequency. The cofactor levels on which the value is determined are significant components whose stability of the qualitative and quantitative content is directly ordered in the stability of the determined value and its power of use.

In the line of the cofactors who build the value-setting approach, as a stand-alone but always present is the cofactors ORIENTATION, regardless of his locational differentiation. This cofactor has a significant position not only as semantics, but also as a rational factor in defining developmental research directions.

## **1. Cofactor Orientation, What and Why**

With the intention to delineate the influential preconditions of this cofactor, we will consider its recognition in connection to the real estate with the classification of the object / building / house and the autonomy of the condominiums within the building as a whole.

This assumption can not be understood as if this cofactor has a significant recognition only of this real estate, but it must be supplemented by the fact that the lack of influence is also present in the real estate - land. This real estate dominance of the cofactor *orientation* is directly conditioned by the purpose / utilization / use of the land.

The intensity of building development from an economic point of view, has a high impact on the market organization and administration of the real estate. But, appreciating the practical conditions, this dynamic situation seems to entail and/or represents a careless category, are more often imposing recommendations for abandoning the basic standards in urban planning, redefining the sensitivity of the ambient conditions in which the real estate exists as well as the competitiveness of the market recognition. Taking these affirmations as real/planned situations, in the analyzes we will meet and/or recognize the reasons why this cofactor should be part of the valuation cofactor set.

The dominant influence of the cofactor has two components. The first component, external position, refers to the location of the building within urban area, while second component refers to the position of the condominium within the building.

**The external position** of the facility, relates to capable of achieving main building functions and can be seen through:

- Entry into the building <accessibility position according to purpose>
- ENTRY portal <position of approaches as dynamic traffic precondition>

**Internal positions** are associated with specific parts in relation to their location within the building and the surrounding ambient. Usually this category is recognized by:

- Condominium floor level
- The closeness of the condominium to the entrance/exit as well as type of stairs/elevator in the building
- East, west, north, south view
- A view toward street with high traffic frequency
- Unpleasant sights
- Pleasant sights (mountain, park, city, sea, lake, river etc.)
- View toward facilities that are going to be established in the future

## 2. Orientation of the real estate

The **orientation** of real estate in an internal and external aspect, especially in the objects and has a significant influence on the determination of the value of the real estate. As for the land, the orientation has the primary effect, but the same is related to the purpose / utilization of this type of real estate. The exceptional character of this cofactor initiates its own position in building the integral cofactor structure in the approximate methodologies for valuation.

*The orientation is a spatial cofactor that essentially absorbs the elements of accessibility, view, floor plan, closeness and open view of real estate as well as the position of the condominium within the building.* In general, *orientation* is a special cofactor that effectively complements the other location cofactors, named as macro and micro cofactors in the national methodology, which participate with high percentage in the property value.

Following the market conditions, it can be assumed that in the past few decades, the real estate market has made changes, if prior it was demand-oriented, today's orientation is toward the offer. In this context, focused image and positioning are necessary to increase sales in this sector.

An insight into the motives and wishes of consumers in the real estate market is essential for the city, governments, investors, associations and real estate developers. Real estate developers, investors, city authorities, municipalities, planners and architects are the ones that can best answer the needs of citizens, by mutual cooperation, so that the desired social infrastructure in the environment will be achieved. These items also contribute to improving the quality of life in neighborhoods and regions.

Housing and human desires are becoming more diverse. This is the reason why information about the age, income and composition of households can not be enough, in order to be able to respond to the wishes of the consumers. With various tools, programs and identification of spatial parameters that incorporate mentalities, environments and styles, we can have a close insight into how people perceive housing, style, living, vacation, shopping and work and how they are developing.

The implementation of spatial algorithms, spatial analyzes of influential spatial events, as components of Geo Information Systems (Geosystems), provide a new dimension of the estimates with marketable values. In this context, dynamic components for location factors, orientation, accessibility, neighborhood and environment are generated as geo-spatial analyzes that include buffer, overlay, network analysis, and similar.

With good explicit link between physical and social domains, solutions can be offered for issues related to aspects, such as: objects, regional positioning, redesign, and urban renewal. The accesses will make it possible to achieve real and more profitable positioning of the neighborhood or area.

### **3. Why is that important?**

The people in the choice of their own home, the office for work-workplaces, or in the selection of real estate depending of the needs, have their own points of view and wishes for the intensity of the light that they want to have on the space in which they will act.

Sunlight exposure is often misrepresented in real estate ads and should be checked personally or with help on an accurate map. The orientation may affect the value of the condominium in the initial determination, but as a cofactor it remains present and/or corrected with the new developments in the periods that follow the determination of the property value.

The orientation of the home is the first way point that a buyer or seller faces, and a significant one that can strongly influence the decision.

According to studies, the amount of sunlight interacting with the compass rose is as follows, north side is not recommended because it has a minimal amount of sunlight, the best with 50% sunlight and the largest light span is the southern one. The intensity of light that comes to the object is influenced by the height of the buildings, the landscape, and other surrounding objects that in addition to the light penetration influence the view from the condominium. With regard to houses with yards, there may be little or no light in the evening, the use of the yard in the first or second

part of the day can be prevented by certain orientations. There are also certain religious and cultural conditions or advantages, such as Vastu Shastra and Feng Shui, which have a major impact on a particular group of people to the choice of a certain real estate and may be the key in choosing when buying or selling a home.

Good orientation, combined with other energy efficiency features, can reduce or even eliminate the need for auxiliary heating and cooling, and this will result in lower electricity bills, a reduction in greenhouse gas emissions, and improved comfort in the home.

Practice has shown that today the cofactor orientation can be recognized with high value through the offers in hotel facilities. The view towards the mountain, the lake and the sea are part of the coefficients on which the pricing and offers in these accommodation facilities are built.

Floor of the apartment is incorporated in the national methodology only up to the third floor, but following the market offer of apartments, there are discrepancies in terms of the price of the offer for apartments on the lower and upper floors. Namely, the apartments on the higher floors even the attic are sold at higher prices than the apartments on the lower floors. However, it should be emphasized that the value of the national methodology had its own basic orientation for the gradation of the values indexes, the ground floor is 30 points, the floor 1, 25 points, the floor 2, 15 points and the third floor, 5 points score. This gradation is based on the economic competitiveness of the specific part as an offer on the market for achieving a certain business-oriented activity, from the lack of need for using additional funds for entry into the special parts, which are intended to circulate only to these derived needs as an intention. However, if other targeted impacts are taken into account, the risk of any kind and other life needs for a relaxed and peaceful life then of course the need for additional characters will be required to be affirmed and implemented in determining the value.

It should be emphasized that these matter is complex because the decisions depends on other subtle factors in the range of the purchasing power of the client. This is important if the economic purchasing power of the citizens is not the strong side when the decision is made to buy a new apartment, there are statistical indicators that say that the properties are bought partly from personal/family savings and other part by bank loans.

On the other hand, the location proximity of the buyer to the existing habits of current living, the proximity to the workplace, the school of children, the family background and similar prerequisites only give the reality of complexity when making a decision for buying new real estate property.

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