

Valuation of Real Estate

The most appropriate method of assessing the value of the residential real estate in each business is the direct comparison approach. The added worth of the commercial entitlements can vary significantly between holiday letting and permanent letting management rights complexes.

The inclusion of separate office/reception is very important for management rights complexes and without these facilities, the business could not really function.

If the commercial areas are on title, the most appropriate method of valuation is to apply a rate per square metre which is deduced from analysed sales.

Analysis of sales of the designated manager's residences usually reflects values that exceed the value of an ordinary residential unit or similar type of apartment in the same building. The added value varies, but it is often (rule of thumb) between 5% and 10% more than the value of an otherwise similar type of residential apartment in the building.

However, the application of this approach can produce anomalous outcomes in some instances as the residential unit value varies significantly in different buildings, but the value of the commercial use areas is essentially the same or it provides the same level of service. Also, a property's commercial area can vary considerably, and they range from a small business which has no office or reception, to those complexes that have an extensive office/reception, restaurant, bar and conference facilities.

The inclusion of office/receptions, storage areas, etc in a management rights property can either be via these areas being included as freehold title (included within the management unit or as separate areas) or the manager having exclusive use rights to these facilities which are normally part of the common property of the complex.

The classification of commercial floor areas as either freehold title or exclusive use is based on reference to the Survey Plan or Community Management Scheme and their associated by laws.

A complex that primarily provides permanent lettings does not have as high a requirement for office/reception and storage areas as a complex used for holiday lettings, which require additional work areas to run the letting business efficiently.

The manager's residence (Lot 36) comprises a two storey, modern style, 3 bedroom, 2 bathroom detached townhouse of rendered brick construction with a concrete tiled roof, 2 car garage and Exclusive Use of an attached yard. The unit has a total floor area of 345sqm (including outdoor areas and car accommodation).

Additionally, the manager's have an attached on-title office/reception (9sqm).

Further storage areas are used by the on-site manager, however, these are on Common Property and there is no documentation supporting the right to these areas.



Based on the application of the sales evidence to the subject property, we have assessed the 'as is' market value for the manager's residence (Lot 36) to be **\$465,000 (Four Hundred and Sixty-Five Thousand Dollars)**.

Our assessment of the Management Lot at \$465,000 includes the following components:

- * residential/living including a single basement carspace \$450,000.
- * commercial office \$15,000 which reflects \$1,667 per square metre.

