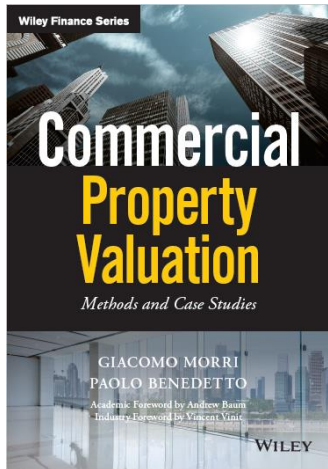


# Commercial Property Valuation

Giacomo Morri & Paolo Benedetto

WILEY, 2019



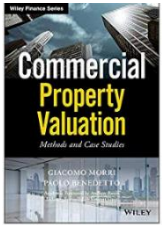
## Structure of the Valuation Report

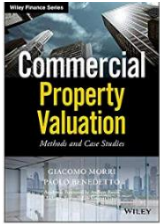
Chapter 8



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- Conclusions, Appendices & Annexes





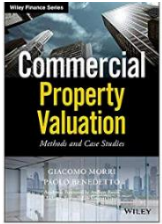
# Valuation depth

- The content of a valuation report depends significantly on the quality and quantity of the information available, and also on the purpose of the valuation
- In this respect it is useful to distinguish between:
  - **Desktop valuations:** no inspection is carried out, but the valuer performs an indirect verification, where possible, of the documentation provided by the client using online maps and databases to analyse the market
  - **Drive-by valuations:** after having examined the documentation provided by the client, the valuer carries out only an external inspection of the property gathering data and information on site
  - **Full valuations:** the valuer also carries out an internal inspection of the property, as well as carrying out any further technical and administrative research if required

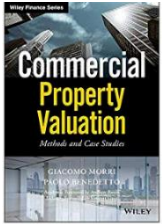
# Structure of a valuation report

Ideally, the valuation report should consist of the seven main parts:

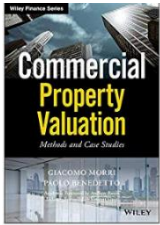
1. Executive Summary
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3. Description of the property
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5. Valuation
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# Executive Summary



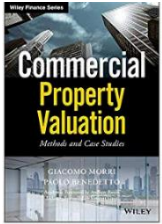
- The Executive Summary provides a summary, on one or two pages, of the main information contained in the valuation report
- It allows the reader to promptly understand the **main assumptions, figures** and **conclusions** of the valuation without having to read the whole document in detail
- Clearly, the Executive Summary is only significant if it is accompanied by the respective full valuation report to which it relates



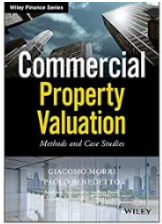
# Preamble

- The Preamble is a fundamental part of the Valuation report because it contains all the elements which contribute to defining the valuation requirement:
  - **Identification of the subject property**
  - **Purpose of the valuation**
  - **Basis of the value**
  - **Valuation date**
- The Preamble can also contain other information such as: the type of valuation, the terms of engagement set by the client, potential conflicts of interest, the limits of the valuation, the documentation used and the work team

# Description of the property



- The objective of this part is **not to substitute** a technical, administrative and environmental **due diligence** of the property, however, many of the elements of the two documents are the same
- The aim of this section is to identify and describe all the elements that may have an **impact, positive or negative, on the value** of the subject property

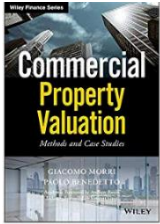


# Description of the property

The following is a not exhaustive list of all the elements that must be analysed:

- **Location** (i.e. all the elements that unequivocally describe the location of the property and how it can influence the property's ability to generate a benefit)
- **Technical Description** (i.e. all the elements needed to gain a clear and comprehensive picture of the physical characteristics and a quality assessment of the property)
- **Dimension** (i.e. details of the surface areas and their distribution)
- **Rental status** (i.e. details regarding the spaces currently leased and the respective existing lease agreements)
- **Land registry status** (i.e. the property's registration details)
- **Building and zoning compliance** (i.e. details of the Building's town planning status)
- **Any presence and details of leasing, environmental or other restrictions**
- Evidence of any problems regarding the property not mentioned before

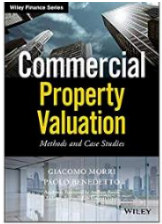




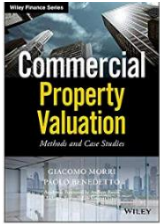
# Market Analysis

- The market analysis begins with a macroeconomic overview and then focuses on the real estate market, both in terms of type and geography
  - The macroeconomic analysis is important, as it allows for the understanding of the overall current and prospective economic fundamentals
- It also serves to gain a better understanding of the supply and demand for Comparables based on economic trends
- The real estate market analysis must provide all the information needed to support the data used in the valuation
- The findings of the market analysis, combined with the specific features of the property, can finally be summarised in a SWOT Analysis

# Valuation



- The value estimation is the core of the valuation process, involving the selection and application of the valuation method deemed most appropriate considering the value base definition, the type of property and the data available
- The choice of the **method** itself, which must be appropriately justified and, when applying the method, one has to justify the choice of each **parameter** used with references, as accurate as possible, to the market analysis
- Finally, it is essential to carry out a verification of the result obtained. The **verification** can easily be carried out by converting the result into a comparable unit



# Conclusions, Appendices & Annexes

- In the conclusions, it is described what has been previously reported and then it includes the value of the property, followed by the **date** and place of signing, as well as by the **signature and any stamps** of the valuer
- Often the Conclusions can also make a **comparison** with the previous valuation carried out, highlighting the main reasons that led to a change in value in the period between the two appraisals
- At the end of the valuation report are the **Appendices**, containing everything which, due to its size or lesser importance, has not already been stated in the body of the text, or any documents produced by third parties (**Annexes**) and referred to in the main body of the valuation report



### Property Finance

Real estate books, resources and links

<http://www.propertyfinance.it/it/home-english/>

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