

# **FACTORS THAT INFLUENCE THE VALUE OF SPECIALIZED REAL ESTATE PROPERTY**

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**Abstract:** For specialized real estate properties is hard to elaborate an opinion on the value of the market because it will have very well explained. A property with limited market is one that has few buyers, at some point, sometimes because of its unique characteristics or because of changing market conditions. Some properties of this kind are a unique concept building, special materials or have an arrangement in space makes them unsuitable for any other use. Typically, these properties are hardly or not at all suitable to the transformations, which are termed immovable property with special purpose.

**JEL classification:** R30, R33

**Key words:** specialized property, property value, influence factors of value, property management

## **1. INTRODUCTION**

In Romania specialized property valuation has developed in recent years in the segment of agricultural properties, gas stations, hotels, restaurants, fast food outlets, which are specialized properties that are traded on the market, but there are no research studies that find application in areas such as mining, chemical industry, food industry. Evaluation of specialized properties of oil processing and petrochemistry industry is one area that has grown with the development of specific industries, and in areas where the oil processing and petrochemistry industry is developed in the area of the Middle East, the United States and Canada.

## **2. OBJECTIVES**

Limited market with properties you can evaluate on the basis of their current usage or the more likely alternative uses. Given the very small market, and long exposure until it finds a buyer, it can happen not to be sufficient to sustain the argument that an opinion of the market value based on their current use. The difference between the market and the property market is limited by the availability of data about specific market. If the actual use of a property is so specialized that it is not possible to identify a market for it, but if this use is viable, assessor, to the extent that allows property type evaluated, will be able to issue an opinion on the value of use or of any other type of value than the market value. Such an assessment should not be confused with an opinion of the market value. If you can't identify a market or if there is the necessary

data, the assessor will not be able to express an opinion concerning the value of the market and will have to declare this in the evaluation report.

### **3. METHODOLOGY**

#### **3.1. SPECIALISED PROPERTY CLASSIFICATIONS**

Specialized real estate properties are those properties for which there are no market information about comparable properties to be applied to market method. Classification of specialized properties is done according to some authors, after multiple criteria classification, namely:-after the destination property-depending on type of property; -After the industry you serve.

Depending on the type of property, real estate properties can share specialised in income-generating properties and properties that did not generate income. Income generating properties are gas stations, commercial areas, shopping malls, casinos and nightclubs, hotels, office buildings, industrial properties (from different economic segments), farms (vegetable or animal), agricultural land, land with high mining potential of ores. Properties that do not generate income are schools, kindergartens, churches, theatres and cinemas, hospitals, forests etc.

After the economic field that serves, specialised properties may share in: specialized properties of the food industry, specialized in the processing properties of food, specialized properties in the healthcare industry, specialized properties of the chemical and petrochemical industry, specialized properties of engineering industry series etc. After the destination property, real estate properties can be specialized: agricultural land, land with high potential of extraction of ores, leisure properties, commercial properties, including office buildings, shopping malls, public buildings (hospitals, schools, churches, etc).

#### **3.2. THE FACTORS THAT INFLUENCE THE AMOUNT OF SPECIALIZED PROPERTIES**

According to the "The Valuation of The Real Estate Property" second edition of Canada, adopted by ANEVAR, four economic factors creates value, namely: the utility, scarcity, desire and effective purchasing power. Utility and rarity are factors pertaining to the offer. Purchasing power and desire are factors pertaining to the request. Convenience is the ability of an asset to satisfy a need or a desire of man to fill a lack. The benefits that flow from income-generating properties are measured usually in cash flow. Influential waters of the usefulness of the value depends on the characteristics of the property. Rareness is given by the ratio between demand and offer of present or future, for a certain category of goods. Desire is the human need to have a good image can satisfy normal (how is that for shelter, clothing, food, companionship) or to fulfill aspirations that go beyond the basic needs of life. The effective power is the ability of an employee or a group of persons, to take part in the work on the market, of purchasing goods and services with cash or cash equivalent. An opinion on the value of a property which takes into account and correct estimation of the capacity to pay the market value of that property.

According to some authors the factors that influence the value of property can be categorized as follows: economic factors (income, interest level, banking banking policy and accessibility of credit, investment in construction, the cost of the rent, the prices for housing); social factors (population density, family size, the educational level, the level of crime, age group); administrative factors (zoning, building norms and

rules, municipal services, local tax); environmental factors (topography, shape of the lot of land, soil, free access to the Park, the store, school, place of worship, buildings, public transport stations, service sector businesses).

The main factors that influence the value of a property from the oil processing and petrochemistry industry: • Dependent on the operation of the plant material used

From the raw materials used; • The influence of transportation costs on the value. Transport via pipelines; • The transport system of the raw material and finished products; • The influence of human capital, specialized personnel, staff age; • Influence of the age of the technology used in the manufacturing process, plant age, upgrading the installation depending on the latest discoveries in the field; • The degree of pollution of the installation, the investment made by the owner of the installation in reducing pollution; • The degree of risk of installation; • Processing and storage of waste management; • Influence of application of finished product market outlets; • Political factors that influence the functioning of the industry branch

### **3.3. SPECIALIZED PROPERTY MANAGEMENT**

Management theory of value allows highlighting the role of evaluation in the process. Management of real estate property value is recommended by: monitoring of the real estate market, increasing cash flow and growth rate, improve the building (the present architectural needs justification, utility and convenience), application of financial instruments (rental, leasing, trading), the management of the property in trust and efficiency with its owner's strategy, increasing the value of real estate investments in line with market demands by applying financial instruments.

The management of heritage In general means achieving concrete goals that can be grouped for purposes of trade, investment, operational and social. Basic concepts of real estate management real estate are as good (which may be considered a material asset, which is exploited to produce income and can eventually be traded to obtain future benefits), the building that the goods (which may be sold or leased), the building as a source of income (the concept of immovable property as a source of income is essentialthe direction of time involves the use of modern techniques and methods of economic and financial analysis of investment projects and implementation of audit expertise in the process of exploitation).

Another important aspect is the life cycle of real estate, like any good economic life-cycle curve similar to other economic goods, but also has its specifics. The technical and economic foundations until the obsolescence or physical, real estate goes through three basic stages: the stage of construction (pre-investment stages).

The pace of change in different periods of the life cycle of real estate property are different. In each stage the influence of factors is complex, different, which make it difficult to determine the values. In this respect must be made more analysis, namely:

Technical expertise-all types of surveys on the physical characteristics of the real estate are vital to determining the different types of values and so are mandatory under any circumstances. Also in this group covers the research expertise of reproductive techniques (use of machines, mechanisms, equipment, etc.)

Economic surveys-in this group covers the analyses relating to economic or financial factors. For example, they may be changes in the national economy, inflation, determining the size of expenses for renovation, property taxation issues and the risks of launching an investment project in the right direction.

Location of real estate expertise. Influence of the location is well known on the market value of real estate but this important factor may relate to other aspects: location; ecological situation; infrastructure; roadways; building regulations in the area. In general it can be said that the essence of these surveys is "evaluating" dwelling within a certain period of his life cycle.

#### **4. ANALYSES**

Analyzing these factors, it is noticed that in estimating the value of a property, they do not act independently, but at the same time, the evaluator must take into account the interdependence of these factors.

An important part of these factors provides information on the quality of the influence they have on the value of a property. The role of the evaluator is to transpose these qualitative influences in quantitative information, which take into account in the evaluation process.

In the cost method implementation of quantitative factors that influence the value of a specialized real estate property can be found in the depreciation (physical, functional and external), but as long as certain factors, such as the social, geographical, not to be found in the three types of depreciation set method, the evaluators to introduce other types of depreciation to define them to find it a math expression and to explain how the value of advocacy.

In the income method the evaluator mission is more complicated because of the influence of these factors is quantified in the capitalization rate or actualisation rate, depending on the method. Therefore it is recommended to estimate rates assessors of capitalization or actualisation depending on factors specific to each evaluation missions.

The previously listed factors, in some specific conditions can exist and others that influence at local level the value of a property. The evaluator during the evaluation process to identify and implement it in mathematical models of these factors, as well as to explain how that influence value.

#### **5. CONCLUSIONS**

Evaluation of a specialized real estate property is a complicated process that does not use conventional methods in evaluation, but rather a mixture of methods of evaluating both because each specialized property is unique in it way, but also because its value is influenced by a multitude of factors. In general, the evaluator will express an opinion on the value on the basis of available data and market information obtained in the context of the analysis of the market, but in the case of evaluating a property you have to keep specialized account and information that we can provide the seller.

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