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THE PERCEPTION OF GOVERNMENT VALUERS ON THE CURRENT PRACTICE OF HERITAGE PROPERTY VALUATION

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Abstract:

This paper studies the perception of government valuers on the current practice of heritage property valuation. This paper focuses on identifying the challenges faced by the valuers; factors affecting the value of heritage property; and the methods used by valuers in valuing the heritage property. To achieve the aim of this study, interviews were conducted with selected valuers from the Ipoh Valuation and Property Services Department, Manjung Municipal Council and Batu Gajah District Council. The qualitative approach was chosen for the data collection process. The content analysis method was used in analysing the data from the respondents. The findings show that the historical factors affecting the values of heritage property were not considered in valuing the heritage property, and the method commonly used by valuers was the sale comparison approach. The interviewees also admitted that there are challenges existing in undertaking an assessment of heritage property such as lack of knowledge, economic factors, legislation factors, condition of the building and safety (threats from homeless persons and wild animals).

Keywords: Valuation, Heritage Property, Valuers

1.0 INTRODUCTION

Generally, there are three approaches used in valuation practice when determining the market value of property. These are the cost approach, income approach and sale comparison approach. There are different circumstances and purposes to value real estate. Such differences can lead to different valuation methods and they are not reliable in the same way depending on the availability of data and the types of property being valued by them (Mattia et al., 2012). According to Greffe (1998), heritage is an important factor for economic development because it is considered as a device for satisfying the demand for freedom activities, the opportunity for some deprived areas to create new jobs to suit any level of employee qualifications, and the source of new locations for economic innovation industry. It is noteworthy that the heritage category will be divided into two, which are heritage building and heritage property.

2.0 LITERATURE REVIEW

Greffe (1998) reported that for a long time, economic knowledge and information have ignored the concept of heritage and its role in terms of economic significance. Economists have constantly mentioned the cultural activities as prototypes of non-economic commodities: it cannot be produced and cannot be replaced. Culture comes out of the economy and this can be regarded as an advantage and benefit. Consequently, we must include economic activities such as heritage protection in an economic discussion.

2.1 Historical Value

Historical value is the root of the strength of heritage. Heritage objects and fundamental nature are parts of the capacity of a site to convey, embody or as a reaction to the past. There are several ways to estimate the historical value including through estimating the heritage material age, from its association with people or events, and the uniqueness of the building. There are two important subtypes of historical value

that merit mention. The educational value of heritage lies in the potential to gain knowledge about the past in the future through, for instance, archaeology or an artist's creative interpretation of the historical record embodied in the heritage. Artistic value based on an object being unique, being the best, being a good example of, or being the work of a particular individual.

2.2 Cultural/Symbolic Value

History and heritage are core elements of all cultures where the ideas, materials, and habits are passed through time therefore cultural values are, like historical value, a part of the very notion of heritage. There is no heritage without cultural value. Cultural values are used to build cultural affiliation in the present and can be historical, political, ethnic, or related to other means of living together (for instance, work- or craft-related). Where heritage is much more closely related to tourism, heritage assets diversity has an improved significance which is for many tourists, heritage means not only building or traditions and outdated culture but also artefact, landscape, things long usual, and so on (Grefe 1998).

2.3 Issue and challenges in valuing heritage property

According to Junainah et al. (2015), there are several issues or challenges faced when valuing heritage property. These include understanding the meaning of cultural heritage, how to measure heritage property, effective methods that can be used in valuing heritage property, and last but not least is lack of knowledge or information in valuing heritage property. O'Brien (2010) found that terminology is an important part of why heritage property becomes difficult to be considered in valuing the heritage property whereby firstly intrinsic values separation is unhelpful and unclear; and secondly heritage value subsists in economic value.

Junainah et al. (2015) iterated that intrinsic value determination has not been carried out in detail and its elements not identified because intrinsic value is more general and fluctuates regarding the heritage property. An example of intrinsic value is maintenance or preservation of a museum is different with another heritage property because they depend on the heritage property. Holden (2006) is of the opinion that cultural experience is also a problem in identifying the intrinsic value because cultural experience is based on personal experience and differs from one person to another.

2.4 Factors affecting heritage property value

Junainah et al. (2015) cautions that in valuing heritage property, there several factors that need to be considered by the valuer which is the structure of the building, the location of the building, the type of heritage property, and other relevant items. Junainah et al. (2015) reiterated that usually the property values are influenced by the physical factors of the building, geographical position and maintenance conditions. Meanwhile Jimura (2011) found that residents of urban heritage sites, on the other hand tend to be more attached to their community due to their culture, heritage, and identity; and they are more interested in promoting their culture

Junainah et al. (2015) wrote that normally adjustable factors influencing property prices are property size, geographical location, and the maintenance condition. However, in heirloom estate assessment, the issue is on which historical feature influences the property price. Ruijgrok (2006) found that there is no past studies on factors influencing heritage property price. Factors influencing heirloom estate value can be generally divided into four groups, namely features about transaction, quality of the structures, locational features, and historical features.

3.0 METHODOLOGY

In this research, the researcher adopts the qualitative approach to gain information from the respondents. The structured interview will be used as a guide in interview sessions with the respondents. Every interviewee took between 30 minutes to 1 hour for the data or information to be recorded during the interview session. There were three respondents selected who were valuers from the government sector which is from Ipoh Valuation and Property Services Department, Manjung Municipal Council and Batu

Gajah District Council. Part A of the questionnaire consists of the respondent's profile that considers the gender, position, age and working experience. In Part B, the questions consist of the method used by valuers in valuing the heritage property, and the questions are based on literature review. In this part also, the researcher will ask about the factors affecting heritage property that are considered by valuers in valuing the heritage property. For Part C, the questions consist of the challenges faced by valuers in valuing the heritage property. In this part, the researcher will ask about the challenges faced by valuers during the valuation or handling of the heritage property. Table 1 shows the respondents' profiles and their backgrounds:

Table 1: Respondents' Profile

Informant	Gender	Position	Age	Working experience
Informant 1	Male	Valuation officer	30 year above	10 years and above
Informant 2	Male	Valuation officer	30 year above	10 year and above
Informant 3	Male	Valuation officer	30 year above	10 year and above

4.0 ANALYSIS AND FINDINGS

Based on the interviews, the researcher obtained the data and information from the respondents. Initially, the researcher faced difficulties in selecting the respondents because some of the respondents have packed schedules. Finally, the researcher successfully interviewed 3 respondents from government valuers and following discuss finding of the interview.

4.1 Method Used in Valuing Heritage Property

The responses of respondents are described as follows:

"In valuing the heritage property, usually I prefer to used comparison approach compared cost approach because cost approach not considering the condition of the building. But for the cost approach that involved 2 elements which is land and building. For the building, there are have the depreciation on the building" (Informant 1)

"I prefer to used comparison approach compared to cost approach. This is because the transaction details has representing all data so we just choose the property that have similarity as a comparable for the subject property" (Informant 2)

"I prefer to used comparison approach rather than cost approach. This because the value of heritage property not reflect the real market value, compared when we using the cost approach. We need to do the adjustment on the building and plus with the value of the land, the value will increase from market value" (Informant 3)

Based on the analysis, all the respondents prefer to use the comparison approach as compared to the other approaches. It is because the comparison approach is the best approach compared to other approach. For the comparison approach, the transaction data represents the real value of the subject property.

4.2 Factors Considered in Valuing Heritage Property

According to the Junainah et al. (2015), in valuing the heritage property, there are several factors considered by valuers, which are the structures of the building, location of the building, the type of heritage property and others. Ruijgrok (2006) shows, There are no studies available in investigating the factors which influence the heritage property price. In this research, the findings revealed that the respondents did not consider the historical factors in valuing heritage property. They value the heritage property as a common property.

“Based on my experience, the factor that should be considered during valuation of heritage property is location of the subject property. The factor of location most important in valuing the heritage property. It is because, the value of heritage property higher because of the location. The historical factors not consider in valuing the heritage property”. (Informant 1)

“The factor that considered in valuing the heritage property depend on the what the factors that consider in comparison approach and cost approach. Based on experience, the historical factor are not consider, just location consider in valuing heritage property”. (Informant 2)

“In valuing heritage property, we just consider the location of heritage property. When the heritage property at the city Centre, the value is higher than the heritage property at urban area. The historical factors are not consider in valuing heritage property”. (Informant 3)

Based on findings, all respondents only take into account the factor of location in valuing heritage property. Other factors such as heritage factor and the structure of building are not considered in valuing the heritage property.

4.3 Challenges Faced by Valuers in Valuing Heritage Property

According to O'Brien (2010), the matter of terminology plays an important part of why heritage property becomes difficult to be considered in valuing the heritage property. Terms such as intrinsic values separation is unhelpful and unclear and secondly is heritage value subsists in economic value. Holden (2006) discovered that cultural experience is also one of the problems in identifying the intrinsic value because cultural experience is based on the personal experience and contrast from one person to another. In valuing heritage property, there are challenges faced by valuers such as lack of knowledge, economic factors, legislation factors, condition of the building and safety (threats from homeless persons and wild animals). Their feedbacks are discussed as follows.

“One of the challenges exist in conducting an assessment for heritage property are legislation and economic factors. The legislation give difficulty for valuer. The valuer must refer on the act and must consider the item that stated in the act. We must determine what the purpose of valuation because the purpose of valuation has their own act or guideline that the valuer must followed. For example, when the government want increase the infrastructure on the road such as widening on road so, the Land Acquisition Act must be considering by valuer in valuing the heritage property. We also must take into consideration the term on the planning and zoning at the place that need to be acquired. For example, the changing the government policy. As valuer the challenge is to identify how much or percentage (%) that effect on the heritage property. For example, the continuity of Sultan Azlan Shah Airport consequences from the construction Highway Utara Selatan. For the economic sector, as a valuer must know the market at the location. As we known, the economy sector is related with the demand and supply. As a valuer we must know the market at the place on the heritage property. For example, location of the heritage property. If the heritage property is located at the city centre and as the place to attract tourism, then the value is higher. For example, value heritage property at Pekan Lama higher than value the heritage property at Pekan Baru”. (Informant 1)

“Based on my experience, there are no challenge in valuing heritage property. It is because the sale of heritage property has representing all data so we just choose the property that have similarity as a comparable for the subject property”. (Informant 2)

“The challenge in valuing heritage property such as condition of the building and safety (homeless and threats of wild animals). As we known, some of the heritage property are leave abandoned, therefore it

cause the homeless and wild animal inhabit the building. Furthermore, the environment of the property also a challenge that faced by valuer". (Informant 3)

Based on the findings, all respondents have their own experience in valuing the heritage property. But in valuing heritage property, they just consider heritage property as common property.

5.0 CONCLUSION

Based on the results and findings, the aim of this paper is to study the perception of government valuers on the current practice of heritage property valuation by focusing on three sections which are; i) the challenges faced by the valuers, ii) the factors affecting the value of heritage property and iii) the methods used by valuers in valuing the heritage property. The findings revealed that the respondents prefer to use the sale comparison approach in valuing the heritage property. Furthermore, for the factors that affecting the heritage property, the valuers only consider the location factors. None of the respondents takes into account historical factors affecting the values of heritage property. The challenges faced by the respondents are economic factors and legislation/statutes.

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