Property Valuation in an Economic Context

Title: Property Valuation in an Economic Context

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The subject of property valuation has been served well and in some depth by notable textbooks over the past two decades, and it is to Peter Wyatt's credit that this new addition to the area brings some fresh insights and useful practical material.

Most readers coming fresh to the book may be struck by the honest and forthright manner in which the author introduces the book in the Preface. That is, the book attempts to objectively define the subject area of valuation, and then moves on to considering methods, rather than vice versa.

While novices to the topics covered might well then be forgiven if they baulk slightly at the theories of economics presented and discussed in Chapter 1, they would be well advised to stick with the material. Indeed, the structure adopted by Wyatt is one that strongly encourages the reader to gain an understanding of the theoretical drivers behind the mechanisms of property markets. This in turn encourages reading of the later chapters through a 'lens' that takes a macro- or micro-view of various valuation approaches, and thus avoid losing sight of the wider context.

Chapter 2 contains what I felt was a potentially very useful discussion and illustration of time-value calculations, and one which encourages students to undertake their own calculations from first principles. The ubiquitous use of IT by almost all students who are likely to study the subject matter means that they should be well placed to work with spreadsheets in a manner that also encourages a deeper understanding than if they simply use valuation tables provided by others. I felt that Chapter 2 was also likely to prove particularly useful to students of both property economics and quantity surveying, as it contains a timely and insightful discussion of the sources of value. That is, when students are asked to calculate price, value and worth, they may well be better placed to understand the distinction between these if their mathematical training is underpinned by the kind of approach taken here.

Wyatt's later chapters in turn deal with various mathematical approaches to valuation, and it was here that I felt the book made a strong contribution to teaching of the subject. In particular, the sections in Chapters 3 and 6 concerning property development deal successfully with the inherent complexities, benefits and limitations of residual valuation, and do so in a way that students will find easy to understand and apply within their own work. This is arguably the greatest challenge facing the text, in that established and well-regarded texts have been used for many years, which also detail the mechanisms of valuation methods, and which also provide examples of those methods in practice. Where

I felt Wyatt's book makes its best impact in the accessible and applied nature of each calculation. Each variable is discussed in some detail, and the reader is left in little doubt as to how they could similarly attempt to understand risk, sensitivity and variation within their own work. Chapters 4 and 5 also proved illuminating, and deal with approaches to valuation regarding property occupation and investment valuation. As with all sections of the book, these rely as much on discussion and debate of the underlying economic context, as they do on undertaking the calculations themselves. This arguably ensures that students (and others) using the book as a reference work will begin in all cases by establishing a context for their work, to which valuation methods can be applied as appropriate.

The book culminates in what I felt was the most interesting section, namely a discussion of worth versus value. This tied in nicely with earlier sections, and was in some ways the obvious direction in which the earlier sections had been heading. That the chapter was again illustrated using key examples and calculations meant that the debates were related well to (presumably hypothetical) examples from practice. My only reservation about the chapter (and book) was that it seemed to end rather abruptly, and that I would have been keen to read a summarising section for the work as a whole.

Overall, I felt that this was an interesting and genuinely useful book for students of the subject. I feel that that the entire work is well steeped in a wider economic context and that this provides a good starting point for any reader. Although the book is slightly more expensive than some of the other 'usual' texts within valuation, its currency and keen balance between debate and calculation would make it a useful purchase for students. The book could also provide a useful starting point for debate in practice, and as such is recommended.

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