VALUATION PRACTICES IN THE TOWN AND COUNTRY PLANNING ACT 1976: VALUATION MODEL FOR DEVELOPMENT CHARGE AND TREE PRESERVATION ORDER PURPOSES

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ABSTRACT

Valuation practices is an important profession to provide services to the society in order to give professional advice on the real estate value for specified purposes. There are two main purposes of valuation namely statutory and non-statutory valuations. The valuation practices are related to various requirements and one of these is valuation related to the Town and Country Planning Act 1976. According to the Town and Country Planning Act 1976 which applicable in the states in Peninsular Malaysia, there are two provisions that required valuation services from professional valuers known as Development Charge under Part V and Tree Preservation Order under Part VA of the Act. Each of the provisions requires the professional valuers in determining the value of land and the amount of compensation which related under Section 19 of Valuers, Appraisers, Estate Agents and Property Managers Act 1981. In carrying out of both valuation purposes, the valuers shall follow the provisions under the Town and Country Planning Act 1976 and they may apply appropriate valuation methodology to determine the adequate value of land for such purposes. Both of valuation purposes under the Town and Country Planning Act 1976, the valuer will apply before and after approach then the differences both before and after value will be considered as the amount of compensation or charge to be imposed. In summary, this topic tries to relate the importance role and functions of valuers in the town planning and landscaping disciplines in Peninsular Malaysia.

Keywords: *Development Charge, Tree Preservation Order, Town and Country Planning Act 1976 and valuation practice.*

1. INTRODUCTION

The Town and Country Planning Act 1976 (Act 172) is a parliament act which was came into force in 1976 after replacing the colonial legislation approved by the British government during British administration in Malaya. Originally, this act came from the various legislations namely municipality enactments and ordinances enacted in the Straits Settlements such as the states of Penang and Melaka, the Federated Malay States (FMS) comprising the States of Perak, Selangor, Negeri Sembilan and Pahang, and the Unfederated Malay States (UFMS) such as the States of Perlis, Kedah, Kelantan, Terengganu and Johor. From single municipality enactments and ordinances, the legislations that related to local authority administration, urban services, building and planning legislations are separated into two parliament acts namely the Local Government Act 1976 (Act 171) and the Town and Country Planning Act 1976 (Act 172). Both acts were enacted according to the provisions under Article 76, Federal Constitutions. These acts are only applicable to the States of Peninsular Malaysia. For the states of Sabah and Sarawak and the Federal Territories of Kuala Lumpur, Labuan and Putrajaya, these states had their own legislation related to the town and country planning.

The Town and Country Planning Act 1976 contains various provisions related to the planning regulations which can use and applies to the states of Peninsular Malaysia. The purposed of this paper focused on the legislations related to the Development Charge and Tree Preservation Orders which were provided in Part V and Part VA respectively. This paper tries to relate the role and functions of valuation professions with the provisions for both Development Charge and Tree Preservation Order where both regulations required the role of the valuer to determine the amount of charge and compensation that can be made under such provisions. In the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 (Act 242), the provision under Section 19 had stated any matters related to the valuation of any interests of real property are vested to the valuers who have conferred the Authority of Practice as a Valuers according to the terms and conditions as stated in the Valuers, Appraisers, Estate Agents and Property Managers Act 1981.

2. AN OVERVIEW OF THE TOWN AND COUNTRY PLANNING ACT 1976

The Town and Country Planning Act 1976 is a parliament act that was gazette and enacted according to the provisions under Articles 76 and 80(2), the Federal Constitutions. The act aims to establish proper control and regulate all matters related to the town and country planning to all states in Peninsular Malaysia. This act is comprising of 12 parts with 82 sections that provide all the guidelines and regulation on town and country planning matters as to be complied by the town planning authorities with the guidance by the State Governments.

Part I of the act stated the preliminary parts of the town and country planning act and all interpretations have been used in this act. Part II describes the policy and administration of planning authorities and agencies to provide any relevant policies and programs subject to the town and country planning practices in Peninsular Malaysia. Part IIA provides the process to set up and establish the Regional Planning Committee while Part IIB stated all matters related to issue the National Physical Plan. Part III of the act stated the detailed development process from the preliminary stages until completion of the development plans.

Part IV focuses on the planning control and regulations to be followed by the local planning authorities as a part of the local government offices. This authority plays its functions to ensure that all development processes are aligned to development plans and national objectives. Part V elaborates the matters regarding the development charge to the public and interested parties if they want to amend the existing regulations related to the development of individual alienated lands. Part VA is a regulation related to the requirement to preserve the trees available around the local authority administrative area. This part is purposely used to ensure sustainability and balance between development and nature can emerge. Part VI provides the platform to establish the Appeal Board if any disputes related to the Town and Country Planning Act 1976 to hearing and may need to make any relevant inquiry. Part VII is a provision related to the purchasing notice and acquisition of lands for special cases, while Part VIII provides the provisions regarding development areas. And the last part of this act known as Part IX provides all matters regarding the miscellaneous matters and more to the administration and management of the act.

Indirectly, two parts of the act required the role of valuers to provide their professional advice on the land valuation such as Part V and VA. Both parts will discuss in the following parts in this paper.

3. ROLE AND FUNCTIONS OF VALUERS

A valuer is referred to a professional member of the surveying discipline with the expertise to give professional advice regarding the value of real property based on his/ her knowledge and understanding of property market trends. A valuer must have at least minimum academic knowledge acquired from formal higher education institutions that provide them with multiple knowledge related to real estate. The combination of economy, laws, built environment and other general subjects' disciplines are able to produce a trained valuation surveyor in order to assist the public on real estate trends. In Malaysia, the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 clearly stated the main role of valuation surveyors by referring to the valuers who are conferring authority of practice as a valuer after he/ she passed all examinations conducted and monitored by a board namely the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia which was established under the Act. The main role and functions of valuers are stated in Section 19 of the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 as follow:

Valuation practice

19. Subject to the provisions of this Act, a registered valuer or appraiser who has been issued with an authority to practice by the Board shall be entitled to practice his profession and shall be authorized to undertake –

(a) Valuation of all lands and buildings and all interest therein including trees, crops, furniture, fixtures, trade stocks, plant, machinery, equipment and other effects; and

(b) Valuation of all lands and buildings and all interest therein required for feasibility studies, project management, court proceedings, arbitration or other purposes.

This paper has purposely overlooked the functions of the valuer to involve in the process determining development charge according to the provisions as stated in Section 19(b) by referring to "valuation of all lands and buildings and all interest therein" which refers to the object, while for the Development Charge and Tree Preservation Order purposes, the valuer will assist the local authorities to determine the amount of charge to be imposed to the landowner under the provision of "arbitration" which known as the subject. Based on both the Town and Country Planning Act 1976 and Valuers, Appraisers, Estate Agents and Property Managers Act 1981 had shown the interrelation between the needs of valuers to assists the local authorities and public to value "lands and buildings and all interest therein" as per required under arbitration proceeding. The valuer's advice is necessary to ensure all interested parties involving in the proceeding could find the solution to any disputations. The valuer's assistance is required to ensure that no better-off and worse-off among the interested parties involving these proceedings. The author will show how the valuer can assist the interested parties in order to solve the issues that may arise from the situation as stipulated in the Town and Country Planning Act 1976. Therefore, the application of relevant valuation approaches and methodologies will use in order to give a picture of how the valuer can assist the interested parties. The valuation methodologies in the valuation process are based on the types and conditions of affected land and area in both Development Charge and Tree Preservation Order carrying out in the Town and Country Planning Act 1976.

In valuation practice, the purposes of valuation involving both Development Charge and Trees Preservation Orders conditions are commonly for internal management purposes. The valuers required to prepare a full report and valuation according to the format as stipulated in the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia. In these scenarios, the market value is used as a basis of valuation as stated in the MVS 4 as follows:

> *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."*

In the other situations, for the purposes of Development Charge and Tree Preservation Order, the valuers apply the Highest and Best Use (HBU) principles in arriving at the value as required for both scenarios. The Highest and Best Use has been defined in Paragraph 5.3.3 (d), MVS 5 as follows:

> *"Highest and Best Use (see General Valuation Concepts and Principles) is the use that would produce the highest value for an asset, liability or a group of assets and/or liabilities, regardless of the actual current use. The Highest and Best Use must be physically possible, financially feasible, legally allowed and result in the highest value."*

The report and valuation prepared by the valuers will follow the contents and requirements as provided in the MVS 8. The valuers are also required to conduct a site inspection and referencing according to the proceeding as stipulated in the MVS 6 to collect and gather all relevant data on-site. All of these data and information were collected and gathered during the inspection and the referencing procedure will be able to help and support the valuer's judgement and justification during the valuation exercise carried out. This procedure is in line with the definition of valuation which required the valuer to combine both art and science characteristics in arriving at the best value for both Development Charge and Tree Preservation Order purposes.

4. LAW PROVISIONS OF THE DEVELOPMENT CHARGE AND TREE PRESERVATION ORDER IN THE TOWN AND COUNTRY PLANNING ACT 1976

4.1 Development Charge

According to Section 32(1), Town and Country Planning Act 1976, development charge is defined as follows:

> *"Where a local plan or an alteration of a local plan effects a change of use, density, or floor area in respect of any land so as to enhance the value of the land, a development charge shall be levied in respect of any development of the land commenced, undertaken, or carried out in accordance with the change".*

Based on the above provisions, any intention to alter or amend the local plan been gazetted by the local planning authorities, the owner or interested persons shall be levied a sum of amount namely development charge by the respective local authority where the land is located within the administrative area. The rate and method of determining the development charge are subject to the rules provided by the State Authority where the respective local authority under the state government administrative power as specified in Section 32(b) and (c) of the Town and Country Planning Act 1976. As we know, according to Schedule Nine of the Federal Constitution, the local authorities are under the state jurisdictions as specified in the State List. The State Authority has the power to set the rules as stipulated in Section 35 of the Town and Country Planning Act 1976. Table 1 shows the development charge rules has been gazetted and came into force by the state authorities in Peninsular Malaysia as of 2020.

Table 1: Development Charge Rules in the Peninsular Malaysia as at year 2020

STATES	RULES	YEAR
Selangor	The Development Charge Rules (State of Selangor) 2010	2010
Perak	The Development Charge Rules (State of Perak) 2014	2014
Johor	The Development Charge Rules (State of Johor) 2015	2015
Kedah	The Development Charge Rules (State of Kedah) 2015	2015
Kelantan	The Development Charge Rules (State of Kelantan) 2015	2015
Pahang	The Development Charge Rules (State of Pahang) 2019	2019
Perlis	The Development Charge Rules (State of Perlis) 2020	2020

Source : Jabatan Perancangan Bandar dan Desa Semenanjung Malaysia, (2021)

Section 33 of the Town and Country Planning Act. 1976 provides the provision in regard to the process of determination of development charge. Section 33(1) stated that, before the planning permission being approved by the local planning authority, the applicant or interested parties if they decide to make amendment or alteration of the existing land use and planning provisions as gazetted in the local plan, they are required to make an application through a notice to demanding payment of development charge. Section 33(2) described that the amount of development charge determined by the local authority to be levied to the applicant is final and conclusive. This provision also states that the applicant cannot make any appeals or reviews in any court.

Mode of development charge payment is also stipulated in this part where Section 34 provides the procedure on such payment. Section 34(1) stated that the amount of development charge can be made whether in a lump sum or specified number of installments. Section 34(2) provides, if the due installment of service charge is not paid, the local planning authority shall give to the person to whom planning permission has been granted a notice informing him of the default and demanding that payment be made within a reasonable time to be specified in the notice. Section 34(3) had described, if the amount due remains unpaid after the time allowed has lapsed, the whole balance of the development charge shall become due and payable and may be recovered in the manner in which rates are recovered under any written law relating to local government. And the last provisions in this section had stated that all sums received on account of the development charge shall be paid into the fund of the appropriate local authority. That means the local planning authorities are required to open a special fund account for this purpose.

According to the Jabatan Perancangan Bandar dan Desa Semenanjung Malaysia, the development charge is crucial to the local planning authorities for the following purposes:

1. Collection of development charges can be a revenue source to the local planning authorities other than taxes can be collected,
2. Structure plan can be used as an important control tool to influence the land value other than to control and design the development area in local planning authority's administrative area,
3. As capital financial sources could be re-invested to return the benefits to the public, and
4. To be used by the local planning authorities to develop a town and provides the public facilities maintenance works.

4.2 Tree Preservation Order

Tree Preservation Order is another provision as stated in the Town and Country Planning Act 1976 which is known as Part VA. Originally, this provision has been inserted in this act after the reviews and amendment in the year 1995 with concurrently the government policy to implement sustainable development in all town and development areas in Malaysia. This part also taking into account the government initiative to provide a compulsory requirement to the open spaces if the developers apply the planning permission to the local planning authorities. Therefore, the provision on Tree Preservation Order looks to ratify the existing developed area or town area which were developed before 1995.

The Part VA of Town and Country Planning Act 1976 which is referring to the Tree Preservation Order had provided eight sections that stated all matters regarding this provision. Section 35A provides the power to the local planning authorities to issue the tree preservation orders to endangered or special values of the tree. This section also stated the legal actions to be made for those who contravene any provision in the tree preservation order commits an offense and is liable, on conviction, to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding six months or to both. Section 35B provides the exemption to be given to a tree that has or trees or group of trees which have already been subjected to conditions imposed under Section 22(5)(f) and (g) which stated as follows:

> *"prohibiting the felling of trees of a certain size, age, type or species at any particular location, unless it is to comply with any written law"*

Section 35C refers to the right of land owner or interested parties to make appeals against tree preservation order to the Appeal Board which has been formed under the Part VI of Town and Country Planning Act 1976. Section 35D states the compensation can be made by the land owner or interested parties under a tree preservation order. Section 35E describes the provisions to the person who is found guilty under subsection 35A(4) for felling any tree in respect of which a tree preservation order is for the time being in force, in contravention of the tree preservation order, to replace such tree by planting another tree. Section 35F stipulated the duty of the Local planning authority to replace tree if the person whose duty it is to replace fails to do so. This provision as follows:

> *"In the event of a failure to replace a tree under subsection 35E(1), the local planning authority may proceed to replace the tree and, not with standing payment of a fine under subsection 35E(5), all costs and expenses reasonably incurred thereby by it shall be reimbursed by the person in default of such replacement."*

Section 35C refers to the right of the landowner or interested parties to make appeals against tree preservation order to the Appeal Board which has been formed under the Part VI of the Town and Country Planning Act 1976. Section 35D states the Compensation can be made by the landowner or interested parties under a tree preservation order. Section 35E describes the provisions to the person who is found guilty under subsection 35A(4) for felling any tree in respect of which a tree preservation order is for the time being in force, in contravention of the tree preservation order, to replace such tree by planting another tree. Section 35F stipulated the duty of the local planning authority to replace the tree if the person whose duty it is to replace fails to do so. This provision as follows:

> *"After taking into consideration the matters specified in subsection (2), the local planning authority may, subject to subsection (4), grant planning permission either absolutely or subject to such conditions as it thinks fit to impose, or refuse to grant planning permission."*

And the last provision under Part VA is the Section 35H of the Town and Country Planning Act 1976 provides the requirement to preserve a tree with a girth exceeding 0.8 meters and, the local planning authority is given the power to any person who commits an offense and is liable, on conviction, to a fine not exceeding ten thousand ringgit or to imprisonment for a term not exceeding three months or to both.

In summary, the importance of the Tree Preservation Order as provided in the Town and Country Planning Act 1976 is to ensure that the natural resources would be conserved and secure for our next generation and to balance the development and the ecology.

4.3 The Role of Valuation Surveyors for both Development Charge and Tree Preservation Order

Both the development charge and tree preservation order have not stated directly the need for a valuation surveyor in these provisions. But indirectly, both parts have required the expert to determine the land value in the form of compensation and the market value. As we discussed before, the valuers are qualified persons as stated in Section 19 of Valuers, Appraisers, Estate Agents and Property Managers Act 1981 to carry out valuation exercises in determining the market value of land, buildings and interests therein. Provision regarding development charge has stated the role of valuers in valuing the land value can be found in the development charge rules enforced by the states as tabulated in Table 1. The following sample of valuation and calculation format by referring to the First Schedule of Development Charge Rules (State of Selangor) 2010 as follow:

[Subrule 4(1)]

RATE OF DEVELOPMENT CHARGE

1. Change in use of land

(a) The rate is as follows:

City Council	Town Council	District Council
30% x increase in value of land	30% x increase in value of land	20% x increase in value of land

(b) Illustration of calculation:

Change of use of land with local plan

Matter	City Council	Town Council	District Council
(a) Value of land based on use of land as stated in the issue document of title	RM *w*		
(b) Value of land based on development plan in the local plan	RM *x*		
(c) Increase in value of land	RM *x* – RM *w* = RM *y*		
(d) Amount of development charge payable	30 % x RM *y* = RM *z*	30 % x RM *y* = RM *z*	20 % x RM *y* = RM *z*
i. Lump sum payment	RM *z*	RM *z*	RM *z*
ii. In instalments	RM *z* + interest*	RM *z* + interest *	RM *z* + interest *

Note: * In accordance with the rate as provided under subsection 34(1) Act 172.

City Council	Town Council	District Council
30% x increase in value of land	30% x increase in value of land	20% x increase in value of land

(b) Illustration of calculation:

Change in density with amendment to local plan

Matter	City Council	Town Council	District Council
(a) Value of land based on the density of the development plan approved in the original local plan	RM *w*		
(b) Value of land based on the density of the development plan approved in the new local plan	RM *x*		

Matter	City Council	Town Council	District Council
(c) Increase in value of land	RM *x* –RM *w* = RM *y*		
(d) Amount of development charge payable	30 % x RM *y* = RM *z*	30 % x RM y = RM *z*	20 % x RM y = RM *z*
i. Lump sum payment	RM *z*	RM *z*	RM *z*
ii. In instalments	RM *z* + interest*	RM *z* + interest *	RM *z* + interest *

Note: * In accordance with the rate as provided under subsection 34(1) Act 172.

3. Change in floor area

(a) The rate is as follows:

City Council	Town Council	District Council
30% x increase in value of land	30% x increase in value of land	20% x increase in value of land

(b) Illustration of calculation:

Change in floor area with amendment to local plan

Matter	City Council	Town Council	District Council
(a) Value of land based on the floor area of the development plan approved in the original local plan	RM w		
(b) Value of land based on the floor area of the development plan approved in the new local plan	RM x		
(c) Increase in value of land	RM x –RM w = RM y		
(d) Amount of development charge payable	30 % x RM y = RM z	30 % x RM y = RM z	20 % x RM y = RM z
i. Lump sum payment	RM z	RM z	RM z
ii. In instalments	RM z + interest*	RM z + interest *	RM z + interest *

Note: * In accordance with the rate as provided under subsection 34(1) Act 172.

However, only two states had the Tree Preservation Orders such as Selangor (1995) and Perak (2015). These rules have no valuation format provided in the Tree Preservation Order. However, the valuation practice in the Tree Preservation Order can be found indirectly in the following provision:

Section 35D. Compensation under a tree preservation order

(1) If the owner of the land to which a tree preservation order relates proves that he has, in complying with paragraphs 35C(a) to (d), suffered damages in the form of **depreciation in the value of the land**, he may claim compensation from the local planning authority.

(2) A claim for compensation under subsection (1) shall be served on the local planning authority—

(a) within six months from the date on which—
(i) the tree preservation order;

(ii) the refusal of a written permission or the imposition of conditions under paragraph 35A(2)(a); or

(iii) the order to replace a tree under paragraph 35A(2)(b), was communicated to the owner of the land; or

(b) where an appeal is made under subsection 35C(1), within six months from the date of the decision of the Appeal Board confirming the order, refusal or imposition of conditions appealed against.

(3) If the owner of such land is dissatisfied with the amount of compensation awarded, he may, within one month from the date of such award, appeal to the Appeal Board which shall have the power to confirm or vary the amount of compensation awarded.

The word "depreciation in the value of the land" refers to the decreasing in the land value. This depreciation refers to the conditions before and after the tree preservation order issued by the local planning authority. In the land acquisition practice under the Land Acquisition Act 1960, the valuer will determine the amount of compensation by the following approach:

Before Acquisition
Less: After Acquisition

Amount of Compensation

This part also stated the word "compensation" clearly on the main title of Section 35D of the Town and Country Planning Act 1976. When anything matters related to the land value, the valuers are the expert to advise the land value as stated in the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 as discussed in the previous topic.

5. VALUATION APPROACHES AND METHODOLOGIES

Property valuation is defined as a process to combine both art and science characteristics in valuing property interest for specified purposes by taking into account the features of real estate including the market and investment values. Art characteristics referred to the observation and the collection of qualitative data during valuation exercises. The science characteristics covered the concept and otherwise, the fundamentals of quantitative approaches applied to the application of mathematical formulas and approaches. A combination of both art and science characteristics will be analysed and the valuer may use his/ her discretion to select the best valuation approaches and methodologies that suit to the interest of the real estate to be valued.

5.1 Valuation Approaches

Valuation approaches refer to the three main approaches namely market (or comparison), income, and cost to be used in the valuation exercises. The application of valuation approaches depends on several factors such as type of property and data availability. According to the Malaysian Valuation Standard 6th Edition (2019), the market approach means an approach that indicates value by comparing the subject asset with identical or similar assets for which price information is available. The income approach refers to an approach that indicates value by converting future cash flows to a single current capital value. And the cost approach is an approach that provides an indication of the value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.

5.2 Methods of Valuation

From the three main valuation approaches, there are five methods namely Comparison Method, Investment Method, Residual Method, Cost Method, and Profit Method. By reference to the Malaysian Valuation Standards 6th Edition (2019), the Comparison Method refers to provides an indication of value by comparing the asset/ property with market pieces of evidence of identical or comparable (that is similar) assets/ properties for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset/ property within an appropriate time horizon. The valuation model by using comparison method as follows:

Land Value
(+) Building Value
Market Value

Investment Method refers to the method by which the gross rent, outgoings, and capitalization rates for the term and reversionary interests must be established by reference to current rental passing or contractual rents for the term interest and the market rent based on the similar properties for the reversionary interest. The model of investment valuation method as follows:

Rental Income per annum
(x) Years Purchase
Market Value

The Residual Method comprises four main components of the valuation model namely gross development value (GDV), development Cost (DC), development period, and discounted rate. The gross development value of the saleable content for the property must be established by reference to prevailing sale values for similar properties. The development cost used in arriving at the net development value of the property must be actual or estimated costs, fees, etc. which are likely to be incurred and they must be supported by evidences of such costs that are available for the property itself or comparable properties or by data compiled, verified, analysed and kept by the Valuer. The development period, including the phasing of the development, the absorption/ take-up rates must be reasonable and supported by data compiled, verified, analysed, and kept by the Valuer. And, the discount rates used in the valuation must be market derived and supported by adequate reasoning. The basic conventional residual valuation method model as follows:

Gross Development Value
(-) Development Cost
Residue Value/ Net Development Value
(x) Present Value of RM1.00
Site Value
(-) Acquisition Cost

Market Value

The Cost Method is a method which takes into account three main component namely land value, building, structures and improvements, and the depreciation/ obsolesces allowance. The land value shall be determined by using the Market/ Comparison Approach. The building, structures, and improvements referred to the actual construction/ tender cost and comparable cost data as are available to estimate the current replacement cost new of a similar simple modern substitute of the buildings, structures, and improvements on the site must be compiled, verified, analysed and kept by the Valuer. And, the depreciation/ obsolesces allowance is reflecting of the current condition of the buildings, structures, and improvements by way of depreciation in terms of physical deterioration, functional obsolescence, and economic obsolescence and the amount deducted for the depreciation should be stated. The valuation model as follows:

Land Value
(+) Depreciated Building Value

Market Value

And the last but not least Valuation Method is the Profit Or Account Method where the valuation model is formulated by four main components such as gross earnings per annum, operating cost, tenant/ operator share, and the capitalisation factor. The estimated gross earnings from the business for which the property is used must be established by reference to the past records of such earnings obtained for the property, and/ or comparable properties. The projected earnings must be reasonable and supportable. The operating costs of the property as a trading entity must be established by reference to current and projected rates as can reasonably be supported and crosschecked with past records of such costs for the subject property itself or similar properties. The tenant/ operator’s remunerative interest which includes the return on the operator’s capital, risk, and entrepreneurship must be supported by adequate reasoning. And, the rate used to capitalise the annual rent (as a function of profit) to ascertain the value of the property should be market derived and supported by such rates for comparable properties or by data compiled, verified, analysed, and kept by the Valuer. The model as follows:

Gross Revenue per annum
(-) Operating Cost per annum
Net Profit/ Divisible Balance
(-) Tenant/ Operator Share
Gross Rental per annum
(-) Property Outgoings
Net Rental/ Market Rental per annum
(x) Years Purchase

Market Value

6. SAMPLE OF VALUATION WORKINGS

This topic will show the valuation workings to be applied by valuers to determine the land value of the property for both development charge and Tree Preservation Order. Basically, there are two methods of valuation that can be used for these purposes. The methods are Comparison and Residual Value. The application of these methods is taking several considerations in terms of the availability of data and sources. From both comparison and residual methods, the comparison method is more preferred compared to the residual method because the comparison method mainly uses the comparable data that can be acquired from the Valuation and Property Services Department. However, the residual method looks more reliable because this method is taking all requirements and considerations when the land has the potential to be developed.

6.1 Development Charge

6.1.1 Change in use of land

Sample 1

A piece of development land having 200,000 square feet located in a town area is zoned for residential use. The owner plans to apply to the local authority to change land use to commercial use. From the market observation made, comparable data for residential and commercial development as follow:

Comparable	1	2	3	4	5
Date	8 June, 2018	28 August, 2018	22 January, 2020	14 October, 2019	29 November, 2017
Land Area (sf)	93,947	30,673	63,615	43,562	43,562
Consideration (RM)	2,000,000.00	680,000.00	1,750,000.00	1,030,000.00	871,200.00
Tenure	Leasehold for 99 years	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	96	-	-	-	-
Land Use	Building	Building	Building	Building	Building
Zoning	Residential	Residential	Residential	Residential	Residential
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land

Comparable	1	2	3	4	5
Date	8 June, 2018	28 August, 2018	22 January, 2020	14 October, 2019	29 November, 2017
Land Area (sf)	95,780	32,457	67,892	47,878	40,562
Consideration (RM)	3,200,000.00	1,000,000.00	2,650,000.00	1,630,000.00	1,301,200.00
Tenure	Leasehold for 99 years	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	96	-	-	-	-
Land Use	Building	Building	Building	Building	Building
Zoning	Commercial	Commercial	Commercial	Commercial	Commercial
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land

Compute the amount of development charge to be levied to the land owner.

Analysis

Comparable	1	2	3	4	5
Date	8 June, 2018	28 August, 2018	22 January, 2020	14 October, 2019	29 November, 2017
Land Area (sf)	93,947	30,673	63,615	43,562	43,562
Consideration (RM)	2,000,000.00	680,000.00	1,750,000.00	1,030,000.00	871,200.00
Tenure	Leasehold for 99 years	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	96	-	-	-	-
Land Use	Building	Building	Building	Building	Building
Zoning	Residential	Residential	Residential	Residential	Residential
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land
(+) Time Factors					
2017	0%	0%	0%	0%	5%
2018	5%	5%	0%	0%	5%
2019	5%	5%	0%	5%	5%
2020	5%	5%	5%	5%	5%
Total Adj. Time Factors	**15%**	**15%**	**5%**	**10%**	**20%**
Adj. Consideration (RM)	**2,300,000.00**	**782,000.00**	**1,837,500.00**	**1,133,000.00**	**1,045,440.00**
Value psf (RM)	**24.48**	**25.49**	**28.88**	**26.01**	**24.00**
(+) Other Adjustments					
Locality	0%	0%	0%	0%	0%
Situation	0%	0%	0%	0%	0%
Size	-10%	0%	-5%	0%	0%
Land Tenure	0%	-10%	-10%	-10%	-10%
Total Other Adj. Factors	**-10%**	**-10%**	**-15%**	**-10%**	**-10%**
Adj. Value psf (RM)	**22.03**	**22.95**	**24.55**	**23.41**	**21.60**

Comparable	1	2	3	4	5
Date	8 June, 2018	28 August, 2018	22 January, 2020	14 October, 2019	29 November, 2017
Land Area (sf)	95,780	32,457	67,892	47,878	40,562
Consideration (RM)	3,200,000.00	1,000,000.00	2,650,000.00	1,630,000.00	1,301,200.00
Tenure	Leasehold for 99 years	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	96	-	-	-	-
Land Use	Building	Building	Building	Building	Building
Zoning	Commercial	Commercial	Commercial	Commercial	Commercial
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land
(+) Time Factors					
2017	0%	0%	0%	0%	5%
2018	5%	5%	0%	0%	5%
2019	5%	5%	0%	5%	5%
2020	5%	5%	5%	5%	5%
Total Adj. Time Factors	**15%**	**15%**	**5%**	**10%**	**20%**
Adj. Consideration (RM)	**3,680,000.00**	**1,150,000.00**	**2,782,500.00**	**1,793,000.00**	**1,561,440.00**
Value psf (RM)	**38.42**	**35.43**	**40.98**	**37.45**	**38.50**
(+) Other Adjustments					
Locality	0%	0%	0%	0%	0%
Situation	0%	0%	0%	0%	0%
Size	-10%	0%	-5%	0%	0%
Land Tenure	0%	-10%	-10%	-10%	-10%
Total Other Adj. Factors	**-10%**	**-10%**	**-15%**	**-10%**	**-10%**
Adj. Value psf (RM)	**34.58**	**31.89**	**34.84**	**33.70**	**34.65**

Computation the Amount of Development Charge

Before

Residential Use : 200,000 sf x RM 12.00 psf = RM 2,400,000.00

After

Commercial Use : 200,000 sf x RM 25.00 psf = RM 5,000,000.00

Incremental Land Value = RM 2,600,000.00

X Amount of Charge to be levied @ 30% RM 780,000.00

Sample 2

A developer seeks your advice regarding his proposal to develop a piece of development land having 3 acres a town centre with mixed commercial development. Currently, the land is zoned for residential development. In order to approve his development proposal, he was required to make an application to the local authority to change the zoning status and the local authority had informed him that he was required to pay the development charge.

Mixed Residential Development

Gross Development Value					
Single Storey Low Cost Terrace	: 37 units	X RM 42,000.00 per unit		= RM 1,554,000.00	
Single Storey Terrace	: 15 units	X RM 200,000.00 per unit		= RM 3,000,000.00	
Double Storey Terrace	: 11 units	X RM 280,000.00 per unit		= RM 3,080,000.00	
Single Storey Detached House	: 2 units	X RM 320,000.00 per unit		= RM 640,000.00	
Double Storey Shop Office	: 6 units	X RM 480,000.00 per unit		= RM 2,880,000.00	RM 11,154,000.00
Less : Development Cost					
Preliminary Cost	:			= RM 50,000.00	
Site Clearing and Preparation	: RM 20,000.00 per acre		X 3 acres	= RM 60,000.00	
Survey and Subdivision	: RM 500.00 per unit		X 71 units	= RM 35,500.00	
Registration of Title	: RM 250.00 per unit		X 71 units	= RM 17,750.00	
Building Construction Cost	:	40% X RM 11,154,000.00		= RM 4,461,600.00	
Infrastructure Cost	: RM 1,000.00 per unit		X 71 units	= RM 71,000.00	
Contribution to Authority	:			RM 100,000.00	
Professional Fees	:	5% X RM 4,532,600.00		= RM 226,630.00	
Promotion and Legal Fees	:	1.5% X RM 11,154,000.00		= RM 167,310.00	
Landscaping Cost	: RM 200.00 per unit		X 71 units	= RM 14,200.00	
Project Management	: RM 50,000.00 per month		X 24 months	= RM 1,200,000.00	
Finance Interest	:	7.5% X RM 3,201,995.00	X 2 years	= RM 240,149.63	
Contigency Cost	:	10% X RM 4,532,600.00		= RM 453,260.00	
Developer's Risk and Profit	:	15% X RM 11,154,000.00		= RM 1,673,100.00	RM 8,770,499.63
				Residue Value	RM 2,383,500.38
			X PV for	2 years @ 7.5%	0.8653
				Current Site Value	RM 2,062,520.61
				Say	**RM 2,063,000.00**

Mixed Commercial Development

Gross Development Value					
Single Storey shop	: 37 units	X RM 200,000.00 per unit		= RM 7,400,000.00	
Double storey shopoffice	: 20 units	X RM 480,000.00 per unit		= RM 9,600,000.00	
Three Storey shopoffice	: 11 units	X RM 680,000.00 per unit		= RM 7,480,000.00	
Four Storey Shopoffice	: 2 units	X RM 800,000.00 per unit		= RM 1,600,000.00	RM 26,080,000.00
Less : Development Cost					
Preliminary Cost	:			= RM 50,000.00	
Site Clearing and Preparation	: RM 50,000.00 per acre		X 3 acres	= RM 150,000.00	
Survey and Subdivision	: RM 500.00 per unit		X 70 units	= RM 35,000.00	
Registration of Title	: RM 250.00 per unit		X 70 units	= RM 17,500.00	
Building Construction Cost	:	40% X RM 26,080,000.00		= RM 10,432,000.00	
Infrastructure Cost	: RM 5,000.00 per unit		X 70 units	= RM 350,000.00	
Contribution to Authority	:			RM 100,000.00	
Professional Fees	:	5% X RM 10,782,000.00		= RM 539,100.00	
Promotion and Legal Fees	:	1.5% X RM 26,080,000.00		= RM 391,200.00	
Landscaping Cost	: RM 500.00 per month		X 70 units	= RM 35,000.00	
Project Management	: RM 100,000.00 per unit		X 24 months	= RM 2,400,000.00	
Finance Interest	:	7.5% X RM 7,249,900.00	X 2 years	= RM 543,742.50	
Contigency Cost	:	10% X RM 10,782,000.00		= RM 1,078,200.00	
Developer's Risk and Profit	:	15% X RM 26,080,000.00		= RM 3,912,000.00	RM 20,033,742.50
				Residue Value	RM 6,046,257.50
			X PV for	2 years @ 7.5%	0.8653
				Current Site Value	RM 5,232,023.80
				Say	**RM 5,232,000.00**

Computation the Amount of Development Charge

Before				
Residential Use	:	=	RM	2,063,000.00
After				
Commercial Use	:	=	RM	5,232,000.00
	Incremental Land Value	=	RM	3,169,000.00
X Amount of Charge to be levied @	**30%**		**RM**	**950,700.00**

6.1.2 Change in density

Sample 3

A developer plans to apply development permission of a piece of development land having a land area of 3 acres in a town centre. The land will develop with a mixed housing development. However, the limitation of density that makes him unable to maximise the use of land and he plans to make an application to amend the planning provisions of his land. As a result, he will be levied with a development charge by the local planning authority. Advise him of the amount of development charge that may be imposed on him.

Existing Density

Gross Development Value								
Single Storey Low Cost Terrace	: 14 units	X RM	42,000.00	per unit		= RM	567,000.00	
Single Storey Terrace	: 14 units	X RM	200,000.00	per unit		= RM	2,700,000.00	
Double Storey Terrace	: 9 units	X RM	280,000.00	per unit		= RM	2,520,000.00	
Single Storey Detached House	: 4.5 units	X RM	320,000.00	per unit		= RM	1,440,000.00	
Double Storey Shop Office	: 4.5 units	X RM	480,000.00	per unit		= RM	2,160,000.00	RM 9,387,000.00
Less : Development Cost								
Preliminary Cost	:					= RM	50,000.00	
Site Clearing and Preparation	: RM 20,000.00	per acre			X 3 acres	= RM	60,000.00	
Survey and Subdivision	: RM 500.00	per unit			X 45 units	= RM	22,500.00	
Registration of Title	: RM 250.00	per unit			X 45 units	= RM	11,250.00	
Building Construction Cost	: 40%	X RM	9,387,000.00			= RM	3,754,800.00	
Infrastructure Cost	: RM 1,000.00	per unit			X 45 units	= RM	45,000.00	
Contribution to Authority	:					RM	100,000.00	
Professional Fees	: 5%	X RM	3,799,800.00			= RM	189,990.00	
Promotion and Legal Fees	: 1.5%	X RM	9,387,000.00			= RM	140,805.00	
Landscaping Cost	: RM 200.00	per unit			X 45 units	= RM	9,000.00	
Project Management	: RM 50,000.00	per month			X 24 months	= RM	1,200,000.00	
Finance Interest	: 7.5%	X RM	2,791,672.50		X 2 years	= RM	209,375.44	
Contigency Cost	: 10%	X RM	3,799,800.00			= RM	379,980.00	
Developer's Risk and Profit	: 15%	X RM	9,387,000.00			= RM	1,408,050.00	RM 7,580,750.44
							Residue Value	RM 1,806,249.56
				X PV for	2 years @		7.5%	0.8653
							Current Site Value	RM 1,563,006.65
							Say	**RM 1,563,000.00**

Amended Density

Gross Development Value										
Single Storey Low Cost Terrace	:	37 units		X RM	42,000.00	per unit	= RM	1,554,000.00		
Single Storey Terrace	:	15 units		X RM	200,000.00	per unit	= RM	3,000,000.00		
Double Storey Terrace	:	11 units		X RM	280,000.00	per unit	= RM	3,080,000.00		
Single Storey Detached House	:	2 units		X RM	320,000.00	per unit	= RM	640,000.00		
Double Storey Shop Office	:	6 units		X RM	480,000.00	per unit	= RM	2,880,000.00	RM	11,154,000.00
Less : Development Cost										
Preliminary Cost	:						= RM	50,000.00		
Site Clearing and Preparation	:	RM	20,000.00	per acre		X 3 acres	= RM	60,000.00		
Survey and Subdivision	:	RM	500.00	per unit		X 71 units	= RM	35,500.00		
Registration of Title	:	RM	250.00	per unit		X 71 units	= RM	17,750.00		
Building Construction Cost	:		40%	X RM	11,154,000.00		= RM	4,461,600.00		
Infrastructure Cost	:	RM	1,000.00	per unit		X 71 units	= RM	71,000.00		
Contribution to Authority	:						RM	100,000.00		
Professional Fees	:		5%	X RM	4,532,600.00		= RM	226,630.00		
Promotion and Legal Fees	:		1.5%	X RM	11,154,000.00		= RM	167,310.00		
Landscaping Cost	:	RM	200.00	per unit		X 71 units	= RM	14,200.00		
Project Management	:	RM	50,000.00	per month		X 24 months	= RM	1,200,000.00		
Finance Interest	:		7.5%	X RM	3,201,995.00	X 2 years	= RM	240,149.63		
Contigency Cost	:		10%	X RM	4,532,600.00		= RM	453,260.00		
Developer's Risk and Profit	:		15%	X RM	11,154,000.00		= RM	1,673,100.00	RM	8,770,499.63
								Residue Value	RM	2,383,500.38
						X PV for	2 years @	7.5%		0.8653
								Current Site Value	RM	2,062,520.61
								Say	**RM**	**2,063,000.00**

Computation the Amount of Development Charge

Before				
Existing Density	:	=	RM	1,563,000.00
After				
Amended Density	:	=	RM	2,063,000.00
	Incremental Land Value	=	RM	500,000.00
X Amount of Charge to be levied @	**30%**		**RM**	**150,000.00**

6.1.3 Change in floor area

Sample 4

The local planning authority in a town area recently gazettes a new plot ratio of a commercial building in its administrative area. The plot ratio is 1:5 with a height limit of up to 5 storeys. An owner of a freehold interest of a piece of development land which has an area of 15,000 square feet plans to develop his land with a mixed retail and office building. According to the initial site analysis and investigation, his land is able to develop such a building with having gross floor area more than the plot ratio as gazetted by the local authority. He decided to pay the development charge in order to develop the with the maximum total gross floor area which is exceeding the plot ratio. Advise him of the amount of charge that can be levied to him.

Analysis of the total gross floor area

Determine the Gross Floor Area

Plot Ratio	=	1 X Land Area			=	Land Area	
		5 X Land Area			=	GFA	
	=	1 X	15,000	sf	=	15,000	sf
		5 X	15,000	sf	=	75,000	sf
GFA	**=**		**75,000**	**sf**			

Determine the Plinth Area

Plinth Area	=	60% X	15,000	sf
	=		**9,000**	**sf**

Determine the Nos. of Building Storey

Nos. of storey	=	GFA / Plinth Area	
	=	75,000 sf / 9,000 sf	
	=	**8**	**storey**

Determine the GFA for each floor

GFA (each floor)	=	Total GFA / Nos. of Storey	
	=	75,000 sf / 8 storey	
	=	**9,375**	**sf**

Determine the Net Lettable Area for each floor

NLA (each floor)	=	80% X	9,375	sf
	=		**7,500**	**sf**

Existing Floor Area

Valuation by using the Residual Method of Valuation

Gross Development Value

GF	:	7,500 sf X RM	5.00 psf/pm	=	RM	37,500.00	per month			
1F	:	7,500 sf X RM	4.80 psf/pm	=	RM	36,000.00	per month			
2F	:	7,500 sf X RM	4.50 psf/pm	=	RM	33,750.00	per month			
3F	:	7,500 sf X RM	4.20 psf/pm	=	RM	31,500.00	per month			
4F	:	7,500 sf X RM	4.00 psf/pm	=	RM	30,000.00	per month			
					RM	168,750.00	per month			
					X	12	months			
					RM	2,025,000.00	per annum (incl. Service Charge)			
Less : Service Charge										
		37,500 sf X RM	12.00 psf/pa		RM	450,000.00	per annum			
					RM	1,575,000.00	per annum (net)			
X YP in-perp. @		9%				11.1111			RM	17,500,000.00

Less : Development Cost

Initial Cost	:						= RM	100,000.00		
Site Clearing	:	RM	50,000.00 per acre	X	0.3444 acres		= RM	17,217.63		
Building Cost	:	RM	1,000.00 psm	X	6,967.73 sm		= RM	6,967,728.27		
Infrastructure Cost	:						= RM	500,000.00		
Cont. to Authority	:						= RM	300,000.00		
Project Mgmt.	:	RM	100,000.00 pm	X	18 months		= RM	1,800,000.00		
Finance Cost	:	RM	4,842,472.95	X	1.5 year @	8%	= RM	592,568.20		
Contigency Cost	:	RM	10,277,514.10	X	10%		= RM	1,027,751.41		
Developer's Profit	:	RM	17,500,000.00	X	15%		= RM	2,625,000.00	RM	13,930,265.51
								Residue Value	RM	3,569,734.49
								X PV for 1.5 year @ 8%		0.8910
								Current Site Value	RM	3,180,535.75
								Say	**RM**	**3,181,000.00**

Amended Floor Area

Valuation by using the Residual Method of Valuation

Gross Development Value

GF	:	7,500	sf	X	RM	5.00	psf/pm	=	RM	37,500.00	per month	
1F	:	7,500	sf	X	RM	4.80	psf/pm	=	RM	36,000.00	per month	
2F	:	7,500	sf	X	RM	4.50	psf/pm	=	RM	33,750.00	per month	
3F	:	7,500	sf	X	RM	4.20	psf/pm	=	RM	31,500.00	per month	
4F	:	7,500	sf	X	RM	4.00	psf/pm	=	RM	30,000.00	per month	
5F	:	7,500	sf	X	RM	3.80	psf/pm	=	RM	28,500.00	per month	
6F	:	7,500	sf	X	RM	3.50	psf/pm	=	RM	26,250.00	per month	
7F	:	7,500	sf	X	RM	3.00	psf/pm	=	RM	22,500.00	per month	
									RM	246,000.00	per month	
									X	12	months	
									RM	2,952,000.00	per annum (incl. Service Charge)	
Less : Service Charge												
		60,000	sf	X	RM	12.00	psf/pa		RM	720,000.00	per annum	
									RM	2,232,000.00	per annum (net)	
X YP in-perp. @		9%								11.1111		RM 24,800,000.00

Less : Development Cost

Initial Cost	:							= RM	100,000.00		
Site Clearing	:	RM	50,000.00	per acre	X	0.3444	acres	= RM	17,217.63		
Building Cost	:	RM	1,000.00	psm	X	6,967.73	sm	= RM	6,967,728.27		
Infrastructure Cost	:							= RM	500,000.00		
Cont. to Authority	:							= RM	300,000.00		
Project Mgmt.	:	RM	100,000.00	pm	X	18	months	= RM	1,800,000.00		
Finance Cost	:	RM	4,842,472.95		X	1.5	year @ 8%	= RM	592,568.20		
Contigency Cost	:	RM	10,277,514.10		X	10%		= RM	1,027,751.41		
Developer's Profit	:	RM	24,800,000.00		X	15%		= RM	3,720,000.00	RM	15,025,265.51
									Residue Value	RM	9,774,734.49
									X PV for 1.5 year @ 8%		0.8910
									Current Site Value	RM	8,709,020.97
									Say	**RM**	**8,709,000.00**

Computation the Amount of Development Charge

Before

Existing Floor Area	:	= RM	3,181,000.00

After

Amended Floor Area	:	= RM	8,709,000.00
	Incremental Land Value	= RM	5,528,000.00
X Amount of Charge to be levied @ 30%		**RM**	**1,658,400.00**

6.2 Tree Preservation Order

The following workings show the valuation model for compensation under Section 35D of the Town and Country Planning Act related to the provision of Tree Preservation Order:

Sample 5

An owner of a freehold interest of a piece of vacant building land with 50,000 square feet recently receives a notification gazette from the local planning authority. It notifies that a part of his land measuring 500 square feet has been issued with a gazette of the Tree Preservation Order under the provision of Section 35A of the Town and Country Planning Act 1976. The owner seeks your advice regarding the amount of compensation that he can claim as given under this Act.

The following tables show the comparable data of vacant building land and development potential agriculture land in a vicinity:

Comparable 1: Vacant Building Land

Comparable	1	2	3	4	5
Date	8 June, 2018	28 August, 2018	22 January, 2020	14 October, 2019	29 November, 2017
Land Area (sf)	69,394	30,068	63,602	40,352	45,611
Consideration (RM)	6,500,000.00	3,080,000.00	6,810,000.00	4,100,000.00	4,312,000.00
Tenure	Leasehold for 99 years	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	96	-	-	-	-
Land Use	Building	Building	Building	Building	Building
Zoning	Residential	Residential	Residential	Residential	Residential
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land

Comparable 2: Vacant Agriculture Land with Development Potential

Comparable	1	2	3	4	5
Date	8 March, 2018	28 June, 2018	22 March, 2020	14 April, 2019	29 January, 2018
Land Area (sf)	80,780	44,507	68,092	47,880	40,520
Consideration (RM)	7,550,000.00	4,200,000.00	6,980,000.00	4,650,000.00	3,662,000.00
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	86	-	-	-	-
Land Use	Agriculture	Agriculture	Agriculture	Agriculture	Agriculture
Zoning	Residential	Residential	Residential	Residential	Residential
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land

Before the Tree Preservation Order Gazette Issued

Comparable	1	2	3	4	5
Date	8 June, 2018	28 August, 2018	22 January, 2020	14 October, 2019	29 November, 2017
Land Area (sf)	69,394	30,068	63,602	40,352	45,611
Consideration (RM)	6,500,000.00	3,080,000.00	6,810,000.00	4,100,000.00	4,312,000.00
Tenure	Leasehold for 99 years	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	96	-	-	-	-
Land Use	Building	Building	Building	Building	Building
Zoning	Residential	Residential	Residential	Residential	Residential
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land
(+) Time Factors					
2017	0%	0%	0%	0%	5%
2018	5%	5%	0%	0%	5%
2019	5%	5%	0%	5%	5%
2020	5%	5%	5%	5%	5%
Total Adj. Time Factors	**15%**	**15%**	**5%**	**10%**	**20%**
Adj. Consideration (RM)	**7,475,000.00**	**3,542,000.00**	**7,150,500.00**	**4,510,000.00**	**5,174,400.00**
Value psf (RM)	**107.72**	**117.80**	**112.43**	**111.77**	**113.45**
(+) Other Adjustments					
Locality	0%	0%	0%	0%	0%
Situation	0%	0%	0%	0%	0%
Size	-5%	-10%	-5%	-5%	-5%
Land Tenure	5%	0%	0%	0%	0%
Total Other Adj. Factors	**0%**	**-10%**	**-5%**	**-5%**	**-5%**
Adj. Value psf (RM)	**107.72**	**106.02**	**106.80**	**106.18**	**107.78**

After the Tree Preservation Order Gazette Issued

Comparable	1	2	3	4	5
Date	8 March, 2018	28 June, 2018	22 March, 2020	14 April, 2019	29 January, 2018
Land Area (sf)	80,780	44,507	68,092	47,880	40,520
Consideration (RM)	7,550,000.00	4,200,000.00	6,980,000.00	4,650,000.00	3,662,000.00
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Remaining Lease (years)	86	-	-	-	-
Land Use	Agriculture	Agriculture	Agriculture	Agriculture	Agriculture
Zoning	Residential	Residential	Residential	Residential	Residential
Existing use	Vacant Land	Vacant Land	Vacant Land	Vacant Land	Vacant Land
(+) Time Factors					
2017	0%	0%	0%	0%	0%
2018	5%	5%	0%	0%	5%
2019	5%	5%	0%	5%	5%
2020	5%	5%	5%	5%	5%
Total Adj. Time Factors	**15%**	**15%**	**5%**	**10%**	**15%**
Adj. Consideration (RM)	**8,682,500.00**	**4,830,000.00**	**7,329,000.00**	**5,115,000.00**	**4,211,300.00**
Value psf (RM)	**107.48**	**108.52**	**107.63**	**106.83**	**103.93**
(+) Other Adjustments					
Locality	0%	0%	0%	0%	0%
Situation	0%	0%	0%	0%	0%
Size	-10%	0%	-5%	0%	0%
Land Tenure	0%	-10%	-10%	-10%	-10%
Total Other Adj. Factors	**-10%**	**-10%**	**-15%**	**-10%**	**-10%**
Adj. Value psf (RM)	**96.73**	**97.67**	**91.49**	**96.15**	**93.54**

Computation the Amount of Compensation

Before				
Residential Use	:	50,000 sf x RM 107.00 psf	= RM	5,350,000.00
After				
Agriculture with Development Potential	:	50,000 sf x RM 95.00 psf	= RM	4,750,000.00
		Amount of Compensation	**= RM**	**600,000.00**

Sample 6

An investor seeks your advice on the amount of compensation to be claimed from the local planning authority. His land with measuring 3 hectares recently has been issued a gazette of the Tree Preservation Order under Section 35A of the Town and Country Planning Act 1976. The affected area is about 35,000 square feet. The valuation of the amount of compensation as follows:

Before the Tree Preservation Order Gazette Issued

Gross Development Value							
Single Storey Low Cost Terrace	: 92 units	X RM	42,000.00	per unit		= RM 3,864,000.00	
Single Storey Terrace	: 38 units	X RM	200,000.00	per unit		= RM 7,600,000.00	
Double Storey Terrace	: 28 units	X RM	280,000.00	per unit		= RM 7,840,000.00	
Single Storey Detached House	: 6 units	X RM	320,000.00	per unit		= RM 1,920,000.00	
Double Storey Shop Office	: 15 units	X RM	480,000.00	per unit		= RM 7,200,000.00	RM 28,424,000.00
Less : Development Cost							
Preliminary Cost	:					= RM 50,000.00	
Site Clearing and Preparation	: RM 20,000.00	per acre			X 7.4 acres	= RM 148,260.00	
Survey and Subdivision	: RM 500.00	per unit			X 179 units	= RM 89,500.00	
Registration of Title	: RM 250.00	per unit			X 179 units	= RM 44,750.00	
Building Construction Cost	: 40%	X RM	28,424,000.00			= RM 11,369,600.00	
Infrastructure Cost	: RM 1,000.00	per unit			X 179 units	= RM 179,000.00	
Contribution to Authority	:					RM 100,000.00	
Professional Fees	: 5%	X RM	11,548,600.00			= RM 577,430.00	
Promotion and Legal Fees	: 1.5%	X RM	28,424,000.00			= RM 426,360.00	
Landscaping Cost	: RM 200.00	per unit			X 179 units	= RM 35,800.00	
Project Management	: RM 50,000.00	per month			X 24 months	= RM 1,200,000.00	
Finance Interest	: 7.5%	X RM	7,110,350.00		X 2 years	= RM 533,276.25	
Contigency Cost	: 10%	X RM	11,548,600.00			= RM 1,154,860.00	
Developer's Risk and Profit	: 15%	X RM	28,424,000.00			= RM 4,263,600.00	RM 20,172,436.25
						Residue Value	RM 8,251,563.75
				X PV for	2 years @	7.5%	0.8653
						Current Site Value	RM 7,140,347.21
						Say	**RM 7,140,000.00**

After the Tree Preservation Order Gazette Issued

Gross Development Value						
Single Storey Low Cost Terrace	: 82 units	X RM 42,000.00	per unit		= RM 3,444,000.00	
Single Storey Terrace	: 34 units	X RM 200,000.00	per unit		= RM 6,800,000.00	
Double Storey Terrace	: 25 units	X RM 280,000.00	per unit		= RM 7,000,000.00	
Single Storey Detached House	: 5 units	X RM 320,000.00	per unit		= RM 1,600,000.00	
Double Storey Shop Office	: 14 units	X RM 480,000.00	per unit		= RM 6,720,000.00	RM 25,564,000.00
Less : Development Cost						
Preliminary Cost	:				= RM 50,000.00	
Site Clearing and Preparation	: RM 20,000.00	per acre		X 6.6 acres	= RM 132,190.21	
Survey and Subdivision	: RM 500.00	per unit		X 160 units	= RM 80,000.00	
Registration of Title	: RM 250.00	per unit		X 160 units	= RM 40,000.00	
Building Construction Cost	:	40% X RM 25,564,000.00			= RM 10,225,600.00	
Infrastructure Cost	: RM 1,000.00	per unit		X 160 units	= RM 160,000.00	
Contribution to Authority	:				RM 100,000.00	
Professional Fees	:	5% X RM 10,385,600.00			= RM 519,280.00	
Promotion and Legal Fees	:	1.5% X RM 25,564,000.00			= RM 383,460.00	
Landscaping Cost	: RM 200.00	per unit		X 160 units	= RM 32,000.00	
Project Management	: RM 50,000.00	per month		X 24 months	= RM 1,200,000.00	
Finance Interest	:	8% X RM 6,461,265.11		X 2 years	= RM 484,594.88	
Contigency Cost	:	10% X RM 10,385,600.00			= RM 1,038,560.00	
Developer's Risk and Profit	:	15% X RM 25,564,000.00			= RM 3,834,600.00	RM 18,280,285.09
					Residue Value	RM 7,283,714.91
			X PV for	2 years @	7.5%	0.8653
					Current Site Value	RM 6,302,836.05
					Say	**RM 6,303,000.00**

Computation the Amount of Compensation

Before			
Development land	: 322,910 sf	= RM	7,140,000.00
After			
Remaining land can be develop	: 287,910 sf	= RM	6,303,000.00
	Amount of Compensation	**= RM**	**837,000.00**

7. CONCLUSION

In conclusion, the role and functions of valuers are very important in order to assist and advise the peoples and organizations on the fair amount of development charge and compensation as provided in the Town and Country Planning Act 1976. Even though the requirement of valuers' expertise under this act is not stated directly but the provision regarding the land value is clearly stated in the both development charge and tree preservation order provisions in the Act. According to the provision in Section 19 of Valuers, Appraisers, Estate Agents and Property Managers 1981 has stated that the valuer is the right person to determine the value of the land. As a professional, the valuers had equipped with knowledge and experience regarding the real estate value and how to determine its interest.

Both development charge and tree preservation order had their own role and functions but subjected to the circumstances where the development charge is a local authority revenue. The development charge is also used as a platform for local authorities to improve and to provide more services to the people in their administrative area. Besides that, the tree preservation order is to provide the rights of the landowner and interest parties to claim the compensation and it's also considered as an expense to the local authority where they need to compensate the amount of compensation to the owner and the interested parties who are considering the order that made under the act has to contribute the depreciation of land value. The other effect of tree preservation order to the landowner and interested parties is, they had restrictions to touch or made any alterations toward the tree which were preserved by the local authority. If they made any alterations such as to cut down the trees which were preserved, they will be charged under the provisions of the Tree Preservation Order. It reflects that the land has legal restrictions and limitations to develop land.

This paper recommends that the parliament should insert the meaning and functions of the valuers in the Town and Country Planning Act 1976 to make publicity to the public particularly to the landowners and the interested parties as they can seek professional advice from a qualified valuer on the land value matters.

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