

Technical Assessment of Constructions in Real Estate Appraisal

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Abstract. One of the modern society priorities is the tendency towards sustainable social and economic development. Sustainable development is possible through the preservation and efficient use of the values created by our ancestors and the ability to meet current needs so as not to endanger the ability of future generations to meet their own needs. Real estate appraisal activity evaluates the changes in property value over time. Physical or legal actions on the property are justified only if the future value is not affected.

Theory and practice of appraisal activity quantifies three approaches to value:

- The Sales Comparison Approach – value is examined in terms of current market preferences;
- The Income Approach – determine the income the property is expected to generate over time as a result of the most probable use;
- The Cost Approach – value is perceived in terms of replacement cost of real estate with one with comparable utility.

Technical assessment of constructions is applied as a rule mainly in the cost approach, and has a major impact on the estimate of market value. The role of technical assessment is reduced, even ignored and not taken into account in other approaches.

The present research examined the role of technical assessment of constructions in the process of real estate appraisal and the impact of inspection on the real estate value.

Legal and normative framework

The real estate appraisal activity in the Republic of Moldova was recognized in 2002 by approving the Law on appraisal activity [1]. Several methodological norms were later approved, which now form a rudimentary framework and methodology [2, 3, 4, 5]. Only professionals with economic and technical studies have the right to provide services of real estate appraisal, and the professionals with experience in real estate appraisal have gained the right to provide services in the assessment of intellectual property.

The technical assessment and inspection activity is an activity that supplements traditionally the construction activity, which has long experience and traditions. Currently, both regulations developed and approved during the Soviet Union [6, 7] and modern acts, which are harmonized with European standards, are in force [8, 9, 10].