Life–Cycle Maintenance Cost Implications of Heritage Properties: Valuation Challenges and Opportunities for Further Research

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SUMMARY

The valuation of land and buildings or real estate has come a long way in terms of advancements in the development of valuation techniques. The roadmap to the existing practices and techniques in the profession has however been hampered by a multiplicity of challenges. For example, the lack of transaction information which characterises real estate markets makes value estimation all the more critical. These challenges are perhaps more pronounced in the valuation of heritage properties than in other real estate assets. The valuation of heritage properties requires careful consideration of a multiplicity of factors that can take into account the importance of these properties, such as long term maintenance needs and the various restrictions on alterations. The costs of restoration and maintenance are not only long-term in nature, but can also be astronomical and these costs will obviously affect the value of the properties. Moreover, it is quite common for heritage real estate to be used commercially, thereby raising the need for a cash flow based type of value assessment over and above the intrinsic 'heritage value'. In view of these complexities, this paper focuses on the valuation of heritage properties, with particular reference to their long-term life-cycle maintenance costs and their implications for the valuation of these properties. This is achieved by scanning through the existing techniques in the valuation of heritage properties so as to highlight their shortcomings and suggest areas for improvement. In addition to the review of the literature, the authors also sought to validate the findings by conducting a qualitative survey of a selection of valuation professionals who had previously had an opportunity of valuing heritage properties.

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