Comparison of Values in Real Estate Valuation; Example of Konya

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Abstract: There are different approaches to valuation of real estate in Turkey. For example, it does not exist a single value for real estate. There are various different values, such as; taxation based on the value retrieved, value in land register, expropriation value, the mortgage value in the bank, market value of a the real estate. These differences were put forward on behalf of the research on this topic. In this study, in Dogus quarter district of Konya Karatay real estates, which could be exchanged in 2011-2012, is determined. The costs of purchase (CP) for land registry cadaster, cost of tax (CT) in the council and costs of market (CM) conditions, the values were collected. Analyzes of the generated data set were made in Geographic Information System (GIS). As a result the necessity of a standard real estate valuation system in Turkey will express for prevent of tax losses and provide social development.

Key-Words: Valuation, Real Estate Valuation, Geographic information systems, tax, purchase, market.

1 Introduction
Real estate valuation and reflecting these values to tax is one of the most important economic base of developed countries. In our country, real estate valuation is not in a healthy structure and also collected taxes on real estates do not reflect reality, so topics such as inadequacy distribution in taxing system and etc. come up very often.

In our country it is obvious that in our country valuation of real estate’s cannot be done objectively on applications such as sales, hypothec, taxing, socialization, privatizing, area and land arrangements. Underlying reasons are;
- minor of experts who will work on assessment,
- tax collection,
- lacking standards on valuation,
- false or deficient statement of citizens
- arbitrary behavior of municipalities,
- Deficiencies in regulations.

Taxing’s which are subject to real estates are done via valuation of real estates. There is a lot of concept about value and this situation causes confusion. We see concepts of current value, buy-sell cost, market value, hypothec in buying and selling trading’s of real estates. There is also huge difference between corresponding values of these concepts. So there is a big injustice come up in taxing system, publicizing, selling processes.

It is very important to record real estates which are subject to economic activities, to accounting and registry records by determining current value in order to prevent unrecorded economical activities, launder money.

Aim of this study is find out current value of real estates which are determined by municipalities, comparing the selling processes in directorates of land registry and declared value of citizens with real increase in the market and showing the difference between them for determining resulted tax loss and searching the necessity of real estate valuation in title deed transactions.

2 Real Estate Valuations
In general terms, real estate valuation is estimating possible current value of a real estate, real estate project or related rights or benefits in independent, unbiased, objective standards [1].

Nearly all processes such as renting, buying selling, bartering, constitution of servitude, establishing real or limited rights, publicizing of real estate’s partly or completely, nationalizing, putting real capital to partnership and collecting tax from real estates, are related to know value of real estates.
Real estate valuation is also important for:
- conducting planned urbanization,
- choosing settlement areas,
- comparing internal and external connection costs between these areas,
- economical assessing of construction plans,
- consolidation of very small parcels in urban settlements,
- clearing and reassurance real estate markets,
- tracking price change in market,
- directing rights of parties in buying, selling and inheritance on real estates,

2.1 General Situation in Our Country on Real Estate Valuation

Although there are a lot of real estate valuations expressed in law after the establishment of Republic in our country, there is not any constituted law about the scope of this study, who will do this study, etc.[2]. Between not having a scientific base in application, real estate valuation has improved in recent years in our country.

The main aim in valuation process is to determine buying-selling values, in our words current value. As taxing and socialization are state applications, real estate valuations in the market show differences. Main reasons of this are; minority of experts who will execute valuation, problems about tax collection, gaps in law and regulations and resistance of the taxpayers on high taxes of real estates and real estate related incomes [3].

It is known that there is a lot of valuations for real estates', buying, selling, hypothec, credit, insurance, etc. situations and these values are determined by different people and different establishments. In free market, real estate valuation and buying selling processes are executed by real estate agencies. For official processes except for free market, values are determined by valorization commissions and experts. In Turkey, there is no need any education for being a real estate agency and laws and regulations are deficient about this issue. But in other western countries educated and expert people has roles on real estate valuations [4]. It is not possible for experts to find real valuation of real estates in daily life. Because of each real estate have different properties because of its position and usage. These properties can easily change from one person to another in terms of quality and quantity. So, as every kind of properties about real estates are defined as objective and subjective, it is quite difficult to get an exact value in practice [5].

3 Application

In the application, preliminary survey is done for the choice pf study area. As a result of these studies, Konya city, Karatay district, Dogus Avenue is decided (Fig. 1-2).

Dogus Avenue has 800000.00 m2 area and the population is 8200. In this area there is 1671 houses and 802 lands in total. First construction plan is done in 1972 and second construction plan is applied in 1998. Now it is within the area of Urban Transformation Project. The avenue develops continuously and mainly middle income people reside there. Buildings are generally multi floored and new but inner parts of the district is of single floor private houses.

Fig. 1. General view of Karatay, which is the area of study.

Fig. 2. Satellite view of Dogus Avenue

All CP sales in Dogus Avenue are gathered from Registry and Cadastral Information system as island/parcel information, date and remunerations. For our study, apartment sharing, common hold, and date and remunerations of hypothec sale processes of land and residences by checking achieves ignoring formal deeds and considering types, surface areas, and declared CP values.
CM values of real estates are determined by a survey which is applied to real estate agencies and citizens. Data set is created by CP from directorate of land registry, CT from municipality, and CM from the surveys.

3.1 Creating Valuation Maps by Using GIS

This study is digitized by NetCAD software for Dogus Avenue in island/parcel base and transferred in to MapInfo Professional 10 by being transformed in dxf format (Fig.3).

Topographical relations are created by generated data set and graphical data are made ready to be questioned in system. Then, in our study area, 143 residences, 30 lands and 17 old residences and data are related by GIS system’s advantage and made proper for analysis in study area (Fig. 4).

CM of the real estates in the district is analyzed as in Fig. 5 and value map is created. One of the most important results of this value map is the CM increase in the areas which are subject to transformation.
3.2 Value analysis of the real estates in study area
Value graphics, which are required by CT, CSM, CM values MapInfo Program, are shown in Fig. 6. As a result of the application, it is observed that there is not much difference between the real estate CT and CP which is declared in directorates of land registry. Most of the CP sales are done via CT or that little more is added on this value and declared as CP value is observed. But it is seen that the difference between CM and CT and CP required from surveys is very huge (Fig.6). The reason of such a situation is that real estate values are declared less for paying less tax.

3.3 Calculation of Tax Values of Real Estates in Study Area
Parameter rate of the houses is two per thousand of real estate tax value, and it is 6 per thousand and this is calculated via parameters. Tax loss is not only limited with real estate values and there is a lot of losses in title deed fees which are collected for sale processes. In the selling of real estates, declared value for the sale is the value which is determined by related municipality and not less than real estate declaration value. Title deed fees are thirty three per thousand according to these selling values and 492 Numbered Fees Law.

Real Estates in Residence Forms: Real Estate tax values 143 of residences in study area are calculated both as CSM and CM. It is found that taking residence real estate’s tax values as CT and CM, state has 19722, 63TL loss. But by taking the difference of tax calculation with CSM and CM, state has 202608, 29TL loss in total. As seen in Fig. 7, taxes are collected via CT value which is shown
in blue. But as the value of CT and CP do not reflect the truth, CM value should be considered.

Real Estates in Residence Forms: when we make calculations in our data set for 30 pieces of areas, CT and CM based real estate taxes are calculated and the difference is found as 11875.41 TL. By taking the differences of title deed fees it is found that state has 57396.90 TL loss in total (Fig.8).

Other Real Estates in Residence Form: CT and CM are calculated separately in 17 pieces other qualified residences and the difference between real estate tax values is found as 1644.81 TL. By considering title deed fees on separately calculated CP and CM, state has 23123.10 TL loss (Fig.9).

Fig. 7. Comparison of residences’ sale values and market values

Fig. 8. Comparison of current values and market values of real estates in residence forms.
4 Results and Suggestions
Consequently; As a result of studies, which are done in study area on 190 real estates, it is seen that CT value, which is determined by municipalities, is quite low and does not reflect the real values of real estates.

It is observed that most of the sales which are declared to directorates of land registry are done via CT and little is added on this amount to declare CP.

In this study, total loss of the state for 190 real estate is 373768,040 TL. It is obvious that as the loss is very big even in such a little area, it will be enormous in country-wide.

It is very important to make true real estate valuation for the country’s economy. There is a lot of economical and sociological problems emerge in real estate taxes to socialization, from customizing to land and area arrangements. For this reason, real estate valuations should be done objectively.

This study is done as a necessity of removing value disorder and necessity regulating laws. Also, it is observed that having value maps and creating them in GIS is more proper for viewing analysis and application mistakes. As the GIS are a proper system for the coordination of graphical and non-graphical information, it is useful to make valuation maps with GIS.

References: