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**College of Business  
Administration**



**Department of Economics  
and Finance**

**COMMERCIAL PROPERTY VALUATION:  
AN APPLICATION IN THE AUTOMOTIVE  
RETAIL INDUSTRY**

A thesis submitted in partial fulfilment of the requirements for the degree  
of Master of Science in Real Estate Development and Property Management

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University of Bahrain  
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☒ Without making any changes to the thesis.

☐ After making the modifications attached to this decision.

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# ABSTRACT

The practice of real estate assessment can be characterized as a business that involves methodically collecting, reviewing, and evaluating data, usually leading to the reporting of a valuation determination. The information processing methods of the appraisers influence the results of the appraisals. The privately held real estate market traditionally have been characterized by excessive knowledge search costs, inadequate data, eclectic properties, and comparatively few transactions. In contrast, an efficient market for stocks has a wealth of publicly accessible information and a sizable number of homogenous transactions every day. Commercial evaluators were previously largely restricted to circumstantial methods of gathering market data and functioned without a centralised data supplier, which frequently led to an imprecise search for information.

Hence, the purpose of this research was to identify the most valuation method and factors considered in the valuation of commercial properties in the commercial automobile retail sector in Bahrain. The researcher used 20 indepth interviews with key informants who are experience valuers stationed in Bahrain regardless of their nationality, age or gender. The research findings the findings of this research suggest that there are a variety of elements that are fundamental in the estimation of a property's value in Bahrain's automotive retail industry. The current market trend, legal and regulatory frameworks, and political and economic circumstances all affect the evaluation of a property's value in the sale of automobiles. Furthermore, techniques such as comparative market analysis, cost approach, and income capitalization, as well as methods such as surveys, inspections, and appraisals, can be used to guarantee an exact and trustworthy evaluation of a property's value.

## **Keywords**

Valuation, Value, Valuation methods, Commercial properties, Real Estate (RE), Appraiser, Valuer, Market trends, Comparative market analysis, Bahrain

## ملخص الدراسة

يعتبر قطاع تقييم العقارات على أنه العمل الذي يتضمن جمع البيانات واستعراضها وتقييمها بشكل منهجي، مما يؤدي عادة إلى تقرير يفيد بتقدير القيمة. تتأثر نتائج التقييمات بأساليب معالجة المعلومات التي يستخدمها المثلثون. تميزت سوق العقارات الخاصة بحملة الأوراق المالية التقليدية بتكاليف البحث عن المعرفة المفرطة وعدم كفاية البيانات وتنوع العقارات والمعاملات القليلة بالمقارنة. بالمقابل، تتوفر في سوق الأوراق المالية الفعالة معلومات عامة واسعة النطاق وعدد كبير من المعاملات المتجانسة يوميًا. كان مقيمو العقارات التجارية في السابق محصورين إلى حد كبير في أساليب عرضية لجمع بيانات السوق وكانوا يعملون بدون مورد مركزي للبيانات، مما أدى في كثير من الأحيان إلى بحث غير دقيق عن المعلومات.

لذلك، كانت الغاية من هذا البحث هو تحديد أهم طريقة تقييم وعوامل يتم النظر فيها عند تقييم العقارات التجارية في قطاع تجارة السيارات في البحرين. استخدم الباحث عدد (20) مقابلة مع معلومات رئيسية وهم مثلثون ذوو خبرة موجودون في البحرين بغض النظر عن جنسيتهم أو عمرهم أو جنسهم. تشير نتائج البحث إلى أن هناك مجموعة متنوعة من العناصر التي تعتبر أساسية في تقدير قيمة العقار في صناعة بيع السيارات في البحرين. تؤثر الاتجاهات السوقية الحالية والإطارات القانونية والتنظيمية والظروف السياسية والاقتصادية على تقدير قيمة العقار في بيع السيارات. علاوة على ذلك، يمكن استخدام تقنيات مثل تحليل السوق المقارن ومنهجية التكلفة والربحية الإجمالية، فضلاً عن طرق مثل الاستطلاعات والفحوصات والتقييمات، لضمان تقدير دقيق وموثوق لقيمة العقار.

## كلمات مفتاحية:

تقييم، قيمة، أساليب التقييم، العقارات التجارية، العقارات (RE)، المثلث، مثلث عقارات، اتجاهات السوق، تحليل السوق المقارن، البحرين.

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## **DEDICATION**

I dedicate this work to His Majesty King Hamad bin Isa Al Khalifa, the King of Bahrain, may God protect and guide him, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander, and Prime Minister, may God protect him. I also dedicate it to Her Royal Highness Princess Sabika bint Ibrahim Al Khalifa, the Consort of the King, President of the Supreme Council for Women, may God protect her. She is known for her initiatives that promote women, enhance their leadership roles, and empower them to be effective contributors to sustainable development projects in all local, regional, and international fields. These initiatives aim to increase the integration of women in various sectors, especially the real estate sector, and empower them in decision-making in public life and comprehensive development.

Through this dedication, Their Majesties and Highnesses share in achieving the visions and aspirations of the comprehensive development journey led by His Majesty King Hamad bin Isa Al Khalifa, the King of Bahrain, may God protect him, and their active contribution to the implementation of government projects and plans under the leadership of His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander, and Prime Minister, may God protect him.

## **Author's Declaration**

Eman Rajab Mansoor Ayoob, UOB ID#20022441 hereby states that my Master thesis entitled **COMMERCIAL PROPERTY VALUATION: AN APPLICATION IN THE AUTOMOTIVE RETAIL INDUSTRY** is my work and has not been submitted previously by me or anyone else for taking any degree from University of Bahrain Or anywhere else in the country/world. At any time if my statement is found to be incorrect even after awarding the thesis, the University has the right to withdraw my Master degree.

**Name of Student:** Eman Rajab Mansoor Ayoob

Signature: \_\_\_\_\_

Date:

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# CHAPTER ONE

## INTRODUCTION

### 1.4. Introduction

In today's modern world, the terms property value and the "valuation" are of great importance. The rationale for this is that owning real estate is one of the more traditional ways that humans have organised their lives through trade (Bassey, 2015). This topic falls under the overall real estate (RE) sector in the economic sphere. The RE sector plays essential role in the entire economic growth of all countries with varying intensities. (Pagourtzi, 2003). Due to the expansion of jobs and affordability, this sector's growth is seen as one of the most important markers of the overall health of any economy. Yet, historically the RE property appraisal industry can be characterised as a business that entails methodically collecting, reviewing, and evaluating data, usually leading to the publication of a value determination (Klamer et al., 2018). According to (Cupal, 2014), various data processing methods of the valuers influence the results of the valuations. The private real estate marketplace in history has been associated with high information processing search costs, lack of information, diversified estates, and moderately limited transaction data.

In contrast, an efficacious stock market has a wealth of known information and a substantial proportion of relatively homogeneous transaction data every day. But corporate evaluators were previously primarily confined to circumstantial methods of gathering data feeds and worked without the use of a centralised data supplier, which frequently led to an inaccurate search for data (Kucharska-Stasiak & Sabina, 2018). Conversely, RE valuers create value estimates that require judgement and decision-making in an unpredictable and complicated situation while juggling ambiguous information, an opaque market,

and client corporate entities (Then, 2005). As a result, judgment bias has been a common subject in talks regarding the integrity of assessment services because of its alleged implications on value precision. As things stand, accurate property assessment appears to be a key factor in lowering risks and fraudulent transactions. The fair market value is therefore not necessarily the same as the sales price.

That is why Watkins J as cited in Crosby et al., (2011) p.308, had this to say *‘An exact conclusion is rarely if ever, allowed when land is valued by qualified, experienced, and meticulous professional personnel. Notwithstanding some well-established realities, the assessor is frequently faced with so many ambiguities that he is forced to advance based on presumptions. Because of this, it is impossible to criticise him for obtaining a conclusion that does not acknowledge any extent of inaccuracy. Thus, when two competent and experienced individuals are given an identical assignment to do, they may each arrive at a distinct conclusion without anybody being able to claim that either one of them lacks competency, prudence, or even ethics in carrying out their duties. Valuation is not scientific; it is an art. Hence, the person who seeks the appraisal should not anticipate absolute correctness in the outcome’*.

Additionally, it has been demonstrated that assessors are susceptible to the impact of different frames of reference. Although there have always been baseline requirements for documenting publicly viewable property transactions, these requirements and the degree of disclosure requirements needed to comply with them vary by locality (Agosto & Raffinetti, 2019). The assessment process is dependent on access to sensitive information, but up until recently, data access was restricted by significant search costs and a lack of reliable or readily available relevant data (Volume, 2019). As a result, commercial real estate evaluators may be prone to stray from the recommended prescriptive assessment procedure by

depending on preconceptions or conveniences, which when used could result in cognitive distortions when making valuation judgements.

This paper is prepared from the standpoint of a real estate appraiser looking into the valuation of the property that is occupied by automotive retail as an asset that enhances the company's financial position. We do not address any type of business valuation, car valuation, or intangible assets such as brand goodwill or dealership reputation.

The market value was used in our application because it was required for the annual financial statement report. It is the most common purpose for maintaining the validity of counting books. However, changing the purpose of valuation will lead to another value base by applying another approach and, therefore, another value as a conclusion.

The following chapter will handle the literature review and introduce some definitions and basics. In contrast, chapters 3 and 4 will discuss and explain the three main traditional approaches deeply, justifying why to apply or not to use this method. Chapter 4 will investigate the process to be applied with suggestions and recommendations for the best practice to follow.

## **1.5. Background to the study**

Considering that Bahrain and the bulk of the GCC are developing nations, the application of valuation standards may be relatively new to these countries (Market, 2021), but the discussion of valuation as a subject date back more than 12 decades to the time that in 1903 author Edward Pinto shared his discovery regarding the historical books and manuals he came across. Edward discovered an article by Mark Weiss that traced the development of appraisal and highlighted the works of various authors, including Dr Ernest M. Fisher, emeritus professor of urban land economics at Columbia University (1920–the 1970s), Principles of city land values by Richard Hurd (1903), valuation methodology by Stanley

McMichael (1923–1950), and *The Valuation of Real Estate* by Frederick Babcock (1920s-1930s)(Zain et al., 2020).

Globalization significantly affects the unification of standards to create a universal language. The standards that are adopted locally may not be the same as the standards that are adopted worldwide, which increases risks and restricts investment (Zain et al., 2020). Every business should have a balance sheet, profit and loss (P&L), cash flow statement, and other financial statements. The accountant's job is to work with the auditors, such as Earnest Young, BDO, PWC, KPMG, and others, who are in charge of reviewing and submitting accounting standards. The profit, what is it? Describe loss. Since measure accounting is not standardised, different profit or loss figures will be calculated for the same company by an accountant from Bahrain and another from England or any other country or region (Cupal, 2014). As a result, the need to create a single standard led to the creation of the International Financial Reporting Standards (IFRS), and an increasing number of nations joined them by imposing the standards of preparing the accounting books based on IFRS and moving away from Generally Accepted Accounting Principles (GAAP).

A similar difficulty with standards was present in valuation. For instance, in Spain, floor size often includes outdoor space, whereas, in India, it also includes off-site parking. A study found that there is a 24% global measurement variance as reported (Kamen, 2014). This inconsistency in measurements among countries causes low confidence, lack of transparency and risks to a foreign investor who wants to compare investment opportunities. Again, the world come together to solve the problem and formed the International Valuation Standards Council (IVSC) which developed an international standard which can be understood across the world (IVSC, 1981). Both The Royal institution of chartered surveyors (RICS) (RICS, n.d.) and Bahrain Valuation Standards (BVS) are based upon the IVSC.

In order to deal with globalisation and advance the valuation profession, there are additional standards that fall under the IVSC (Surgelas et al., 2020). These include the International Property Measurement Standard (IPMS), which measures the size of buildings, the International Construction Measurement Standards (ICMS), which calculates the cost of building construction, the International Land Measurement Standards (ILMS), which calculates the size of land, and the International Professional Behavior Standards (IPPBS) or called International Ethical Standards (IES). Since valuation directly affects capital raising, the independent bodies IVSC and IFRS collaborated to share information. In 2019, The Real estate regulating authority (RERA) started to monitor the valuation practice and announced a transition period to follow the international standards in collaboration with RICS to provide the valuers with training courses to get qualified certified valuers (Kingdom of Bahrain, 2017).

International Measurement Standards, a universal language that is useful to governments, developers, investors, builders, real estate management, and individual property owners, were introduced in part due to the rapid growth of the property market in the Middle Eastern nations. The Kingdom of Bahrain has been working on a lot of construction projects over the past 20 years, and as a result, the real estate and construction industries now account for more than 8% of the Gross Domestic Product (GDP) in Bahrain (Market, 2021). It was widely known that the lack of internationally recognised standards caused much debate and uncertainty for potential investors.

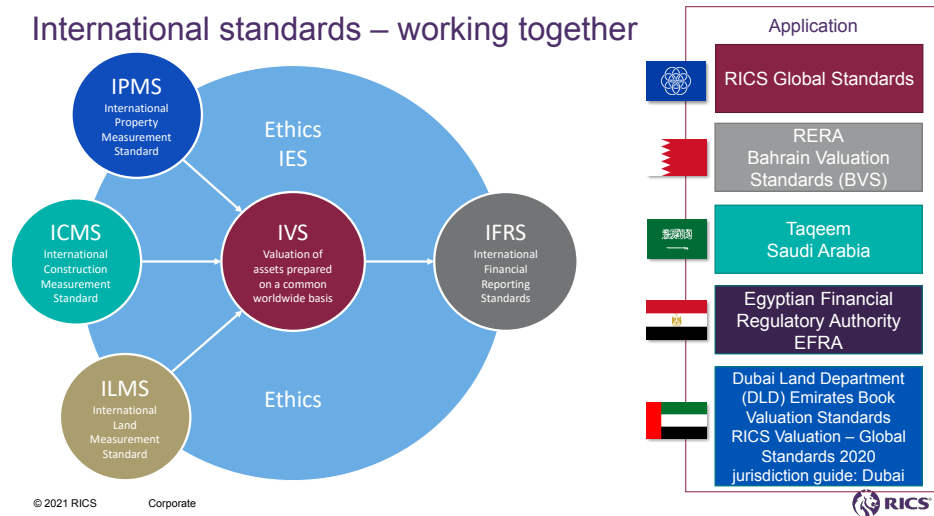


**Figure 1. 1: International property valuation standards**

Supply and demand, together with several varying parameters like the appeal of the associated market, the firm's development strategy, and the present economic climate of the country in which the property is situated or to be established, define an appropriate property valuation (Abate et al., 2011). These elements may also be categorised as unsystematic or property-specific hazards or systematic or market risks. Unsystematic risks that directly affect the property itself can be easily regulated and taken care of with the right implementation of necessary measures, in contrast to systematic risks that are unmanageable, such as 9/11 or COVID-19 (Haresh, 2012). Although there are numerous scientific and practical issues related to valuation that have been studied in the literature. Valuation is a complex process that necessitates the application of the enormous knowledge of many branches of research. Even if the valuation process is already standardised, there are still a lot of open questions or contentious concerns about the techniques and the kinds of property that are evaluated. To the best of our knowledge, this study is the first effort to look into how several valuation tiers affect valuation reports and value capture in the automotive sector from a

property valuation viewpoint using the automotive retail industry in the Kingdom of Bahrain as an example.

## **1.6. Research problem**

The aspect of rating valuation is difficult because most earlier studies concentrated on valuation inaccuracy and proposed solutions, yet there are still difficulties with real estate assessment (Drake et al., 2019; Scheurwater, 2017). This conclusion can be drawn from the available literature on valuation variance, challenges with valuations, and other issues. This project aims to conduct a systematic literature review on variance in real estate valuation as a whole for the period 2000 to 2020 to identify significant causes driving variance in property valuation.

Through published literature on many situations (Bélisle et al., 2021; Kucharska-Stasiak & Sabina, 2018; Scheurwater, 2017; State, 2010; Wittmann, 2018), the researcher hopes to find a long list of factors. The research anticipates identifying the crucial elements from the literature analysis review on the reasons for value variance. The elements will be divided into distinct groupings. There are numerous scholarly and practical issues related to assessment that have been studied in the literature. However, valuation is a complicated task that necessitates the integration of the enormous knowledge of several branches of research (Klamer et al., 2018). Even if the appraisal procedure already is standardised, there remain a lot of open questions or contentious concerns about the techniques and the kinds of properties that are evaluated (Assimakopoulos, 2018).

## **1.7. Research objective**

Because of the subjective nature of the idea of value inherently, property valuation entails a mixture of theory and practice, making it challenging to ascertain the fair market price of any given piece of property. It also is contingent

on each economic entity's existing utilisation of the space and the valuer's skills. For these reasons, the primary goal of this study is to assess the various elements that are fundamental in the estimation of a property's value in a certain industry. The investigation also aims to gauge the effects of various attitudes adopted by the company, which uses a variety of attributes to establish its worth in the Bahraini market. Since property valuation is a significant phenomenon in the modern world, it is anticipated that this study will have a significant impact on the process of valuing assets in the retail automotive industry and the advantages enjoyed by businesses operating in the Kingdom of Bahrain, one of the most promising and rapidly expanding auto markets in the region. The results of this study may also help to clarify the best valuation method for this particular sector of the retail industry.

## **1.8. Methodology**

This study may also open the door to a greater understanding of the best valuation method for this particular sector of the retail industry. Research is a rigorous process of obtaining, evaluating, and digesting evidence to more fully understand a phenomenon that fascinates or worries us as postulated by Thomas, (2010). To identify the aim, handle the data, and disseminate the results, the scientific process follows a defined framework and established criteria (Creswell, 2003). The use of a qualitative methodology, which, as asserted by Tubey et al., (2015), requires the researcher to establish a social constructivist-based understanding presupposition. While the qualitative research approach may employ case studies, hermeneutics, narration, or ethnographic research, to name just a few methodologies of inquiry, this research will employ a case study of the Automotive Retail Industry specifically in Manama Bahrain. Since the core purpose of these research strategies is to enable different levels of detail, accurate data extraction and data collection methods are employed. The fundamental data for the research will be gathered through secondary analysis, which uses existing

data to provide solutions to research questions that are different from the ones posed in the first study (Hinds et al., 1997), even though the practice of secondary data analysis with qualitative data has met some criticism (Ruggiano and Peery, 2017)

The full perspective of multiple valuation techniques that are sophisticated in larger task environments would be covered using a qualitative method of study premised on interpretivism research (Williams, 2000). The interpretive research perspective is predicated on the notions that people create and comprehend existing social environments, and that when circumstances change over time, desirable behavioural patterns are formed (Leitch et al., 2010). In this type of situation, functioning as a participant rather than an investigator may result in a deeper understanding. That is why the valuation task environment will be investigated using a grounded theory methodology to uncover delicate issues and interactions between the various individuals involved in this occurrence (Glaser, 2016).

In this procedure, a comparison between the three main approaches will be applied to reach an opinion of value.

- a) The market approach: The most direct method that relies on comparing the subject assets based on similarity weighting, adjustments, and valuer judgements.
- b) The income approach: The common type used for the properties generating income mostly requested by investors.
- c) The cost approach: The method that is mainly applied to specialized properties that are built and designed for a specific purpose

## **1.9. Analytical Method**

Given that valuation is a difficult process and that many different models, which are frequent in this sector, might yield a wide range of values, multiple methodologies are adopted and tried. The valuation of the property occupied by Automotive retail will be estimated using several methodologies that are appropriate for the case to arrive at a model that is the most appropriate technique(s) and method(s) for valuation, to be provided after this study.

### **1.9.1. Data collection method**

Basic knowledge and explanation will be derived from the Royal Institute of Chartered Surveyors (RICS)- the UK, the regulated and licensed body of international appraisers. Another reliable source would be Routledge Taylor & Francis.

Other supporting data such as how big the industrial sector is in Bahrain, the number of firms occupied, and sector contribution will be searched and used along with market figures and assumptions that will be compared to come up with a valuation judgement.

### **1.9.2. Data collection process**

To place the investigation, the secondary data will also be rigorously analyzed along with the real estate industry and the trends in real estate valuation as well. To achieve the goals of the study, the gathered data will be logically transcribed (Watson, 2006). To understand the numerous valuation strategies used in the valuation industry in general and the Kingdom of Bahrain in particular, as well as to identify the best valuation strategy and tactics, research approaches will be mostly used.

### **1.10. Significance of the research**

The demand for and supply of a specific property, as well as a multitude of varying elements like the allure of the relevant market, the firm's development plan, and the existing economic state of the nation in which it is located, define its proper worth. Additional classifications for those elements include structured and incoherent risk. Uncertainty has a direct impact on the property directly, but structured risk impacts the economy as a whole and is unregulated. This research might play a significant part in the procedures of estimating the valuation of real estate and properties in the automated retail business and the benefits realised may be a boon to the firms operating in Bahrain, one of the nation's most intriguing and rapidly expanding automotive markets, as real estate is a prominent element in the modern world.

### **1.11. Ethics issues**

The individual people's lives and collectively together will not be breached, with the disclosure of demographic profiling at the top of the list, and safety measures will also be adopted for the maintenance of ethical standards in this study.

### **1.12. Thesis structure**

Chapter one introduced the concept of real estate and property valuation and the historical evolution of the aspect and milestones over the years. It provided the challenges confronting property valuation and the need for harmonization of the processes. The chapter further provided the problem statement and research objective to situate the research contextual settings and provided the methodology guiding the research process.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

*This chapter on existing literature examines the definitions, significance, and advantages of the literature that supports commercial property valuation evolution and development, its application and management principles in property valuations in the automotive industry. The chapter further looks at the key research themes, encompassing value drivers of commercial property valuation and the role of the market contextual settings in this regard. It also looks at the classification and regulation of commercial property valuation as well as the economic contributions of the subject domain. The chapter climaxes with the empirical literature on the subject domain of commercial property evaluation cases and issues that have occurred in the recent years, which are described and analysed in the literature study. The literature study ends with a chapter summary of the issues discussed in the chapter.*

#### **2.1. Definition of key terms**

This subsection provides definitions of key terms that are going to be a factor in this research. In doing so the researcher first defines as obtained from the authoritative sources from the literature review and attempts to provide a working contextual definition of the key terms to situate them in the research context.

##### **a) Real estate**

Real estate is a category of property that encompasses both unimproved land and improvements like structures, furniture, buildings, utilities, and roads. Property rights confer ownership of the land, its structures, and its natural wealth, including mineral resources, plants, animals, and groundwater (Kokot & Gnat, 2019).

##### **b) Real Estate Development**

Expropriation, erection or construction, refurbishment, and the selling or leasing of the final product to target consumers are all included in this. It also includes the acquisition of unused land. Developers can profit by increasing the value of the land by constructing buildings or enhancements, reconfiguring it, etc. and assuming the risk of funding the project. The brand-new product that

developing organizations make is sold to the "primary market" or used to create a fresh inventory (Simons, 1994).

### **c) Value drivers**

Gelei (2004) defines value factors as items that are relevant to customers and add a considerable contribution to them. Value propositions are the fundamental components of the complicated concept of value. The author also points out that literature frequently specifies the components (such as pricing, quality conformity, flexibility, reliability, and connected services) that are significant value drivers when referring to sources of competitiveness, also known as value drivers. The research notes that some other scholars refer to value drivers as value dimensions.

### **d) Market**

There are numerous ways to use the word "market" and customers can be categorised in several ways, which include their geography (e.g., the GCC-Bahrain and Manama), demographics characteristics (e.g., specialists like lawyers, Doctors, young graduates or retirees), and product categories, according to businesspeople (family restaurants, high-fashion apparel or automotive industry) (Adamiczka et al., 2013). Whereas marketers view sellers as the client and purchasers as the market, economists refer to both buyers and sellers when defining marketplaces in terms of supply and demand.

The above definitions are applied in this research as they are simple to understand and follow. Therefore, accurate market analysis lowers the risk associated with investments and improves company value. An investor can place a property in line with the market demand and customer tastes even while aspects not directly related to the market (such as design and accessibility) affect asset performance (Cupal, 2014). The market research report gives the investor a

foundation of information from which to build suitable answers to the trading risk and opportunities. The choices may involve an initial real estate investment or later renovations, re-tenanting as well as asset repositioning. The degree to which the results of the market analysis are accurate, and representational will, therefore, depend on the trade area analysis procedures used in the market study.

Therefore, the decisions on the project's size, location, scope, quality, features, and target market are all based on market study, phasing and pricing. Qualitative insights are becoming more significant even though market analysis looks at demographic trends and estimates sales, rentals, vacancies, and absorption. Surveys, psychographic research, focus group discussions, and clustering algorithms are being used to analyse characteristics, such as how specific market segments view themed retail centres or what design elements appeal to homebuyers in specific neighbourhoods (Surgelas et al., 2020). That is why the last 60 years have seen a change in retail research in addition to including complicated consumer purchasing behaviours and store behaviour in agglomerated retail areas the early work of Christaller which looked at central place theory has been developed from its simple combination of range and threshold.

Comparison shopping in neighbourhood retail malls is a practical application of Hotelling's key research tenets which looked at competition in a spatial duopoly (Sulehri et al., 2017). Both broad and thorough studies have been done after Christaller and Hotelling, including works in marketing, geography, finance, economics, and real estate. Retail agglomeration economics and its various expansions to central place theory have significantly improved our deeper knowledge of consumer and merchant behaviour.

The literature has recently concentrated on the advantages that big anchor tenants have over smaller, non-anchor tenant purchases. Retail demand externalities are the name given to these advantageous outcomes. Another topic

of interest to researchers has been investigating the theoretical underpinnings of the valuation of shopping centres. The market study evaluates prospective property users and associated attributes, including buyers and renters. Some product categories appeal to a comparatively small market niche, such as a residential for-sale project geared at active seniors who enjoy golfing. Many inhabitants of nearby communities will frequent a retail centre with a supermarket as its anchor, which reaches significant sectors of the prospective market. The target audience is influenced by location. A community that has a highly regarded educational system will entice families with small children. However, the locations of automobile estates are specifically related to other aspects like space, and accessibility.

## **2.2. Classification and regulation**

An essential step in the process of each property appraisal is classifying and categorising the merchantable attributes of the real estate. It is possible to venture the claim that from a functional, procedural, and systematic perspective, it is the most challenging stage. Because there isn't a clear, robust, well-established theory in this area, there are significant problems. Marketable features are typically defined in the literature as well as in legal guidelines and professional standards as those characteristics of real estate that have a meaningful effect on the operation values attained on the marketplace as well as the cost of the property being appraised (Simons, 1994). The explanatory memorandum applying the proportional approach in property valuation, for instance, states that "marketable attributes based on which the property is equated with analogous properties which encompass the property location, physical features, technical and legal issues associated with it which have a vital bearing on price discrepancies (Surgelas et al., 2020). The buyer's "head" determines the maximum amount of money that may be paid for a certain piece of property in an unrestricted marketplace business. They are the only ones who truly know what

factors they specifically consider and which characteristics of the property that is the subject of the transaction are significant to them and which are not. As a result, one of the valuer's key responsibilities is to separate true marketable qualities from a variety of other real estate attributes, also known as a property's particular attributes (Assimakopoulos, 2018). According to this method, marketable features are those aspects of a property that can be roughly estimated to have an impact on the projected price that can be obtained on the market. They are widely recognised qualities that customers consider while computing the acquisition cost of the property.

The real estate evaluation industry can be characterised as a business that involves methodically collecting, reviewing, and evaluating data, usually leading to the publication of a valuation determination. The information processing methods of the appraisers influence the results of the appraisals. History has shown that the commercial marketplace for real estate is associated with high informational dynamic pricing, lack of information, heterogeneity properties, and comparatively few transactions (Rayner, 2021). In contrast, an efficient stock exchange has a wealth of freely accessible information and a sizable quantity of regular transactions every day. Commercial appraisers were previously largely restricted to anecdotal methods of gathering market data and worked without a centralised data source, as a result, this frequently led to an imprecise search for information.

Based on the type and quantity of information gathered, this lack of marketplace data, which is fundamental to the performance appraisals, may emerge as a wide range of potential marketplace cost approximations and result in the adoption of heuristics or perceptive short-cuts (Adamiczka et al., 2013). The appraiser is required to follow the Assessment Institute's eight-step systematic appraisal process which is also known as the normative appraisal

model when carrying out an appraisal assignment. The Appraisal Institute is a highly regarded organisation and a forerunner in professional appraisal education.

A transparent, stable, long-lasting, and predictable regulatory framework is one of the objectives of a commercial real estate owner, developer, or financial partner. Owners and operators of real estate aspire to plan, develop, and manage real estate holdings under a legal framework that is mostly free from frequently shifting regulatory compliance standards and development needs. The completion of development projects can be significantly delayed, riskier, and more expensive when regulations change. They can also place additional, frequently onerous operational limitations on properties that are already in existence.

### **2.3. Automotive retail industry**

The goal of real estate and land assessment is to determine the current market worth of a particular piece of property. A real estate appraisal is a complicated task because it considers a variety of underpinning market factors and then how they impact the value of the real estate and land property at a specific moment and in a certain location. Governmental regulations, geographic considerations, or even elements related to fashion, the season, etc., may be among these variables. Since the latter half of the nineteenth century, real estate valuation has developed within the scientific community. While the formal establishment of hedonics in the early 1970s is when AVM first emerged.

Usually the purpose of valuation is to estimate the worthiness or value of an asset or property. This is a critical component of many financial decisions, from tax planning to choosing an appropriate investment method. In the automotive retail industry, the purpose of property valuation is to appraise the value of a certain space for rent or sale (Akpan & Ogunba, 2015). Therefore, the valuation results are often used to guide investment decisions and shape industry performance. Valuation helps to identify how much a property or asset is worth

and can also help to develop strategies around timeline for a sale. By providing a baseline for market pricing, it can act as a strong factor in deciding whether pursuing a property is the best approach (Pyhrr et al., 1999). The valuation process can include a variety of methods, such as comparable sales analysis, income capitalization, development appraisal, and cost approach. It is important to evaluate the size, location, condition, and other aspects of the property in question to ensure the most effective valuation method is applied.

A commercial property that is located in a prime retail area like the commercial capital city of a country and is in a viable condition for a purchase or lease may be best valued using the comparable sales analysis method. This method estimates the price by comparing the property to similar ones that have recently been bought or leased in the same area (Wei et al., 2022).

In the automotive retail sector, valuation is currently a hot topic of discussion and there has never been a better moment to revisit some of the crucial aspects you must take into account when thinking about selling your dealership. Dealer proprietors are being forced to sell due to succession difficulties, expensive facility investments demanded by original equipment manufacturers (OEMs), and growing competition (Karthiyaini et al., 2020). A market with rising attractive valuations results from the combination of this and distributor groups' eagerness to grow through mergers and acquisitions, which give them better access to financing, a stronger ability to recruit employees, the ability to create operational efficiencies, as well as brand and geographic diversification.

According to Arcuri et al., (2020) the intention of valuation is to determine the fair market value of a commercial property, which is typically done by an appraiser. It is an important step in the process of acquiring, selling, or leasing a commercial property, as it helps to ensure that the parties involved are making a fair and equitable transaction and it is also used to assess the value of a property for tax purposes, as well as to determine the financial worth of a business or asset.

That is why when valuing a commercial property of any sort, the appraiser must first determine the purpose of the valuation. The purpose of the valuation will determine the valuation method that should be applied. For example, if the purpose of the valuation is to assess the value of a property for tax purposes, then a different valuation method may be used than if the purpose of the valuation is to determine the fair market value of a property for sale or lease (Palm, 2013). The most common methods used for commercial property valuation are the sales comparison approach, the income approach, and the cost approach.

The sales comparison approach is used to compare similar properties that have recently sold in the same area; hence this approach takes into account factors such as the location, size, condition, and amenities of a property. The income approach is used to determine the value of a property based on its potential rental income and this approach considers factors such as rental rates, vacancy rates, and expenses. The cost approach is used to determine the value of a property based on its replacement cost. This approach counts factors such as construction costs, labor costs, and materials costs.

In addition to these methods, there are other specialized methods that may be used depending on the purpose of the valuation. For example, if the purpose of the valuation is to assess the value of a property for tax purposes, then a different valuation method may be used than if the purpose of the valuation is to determine the fair market value of a property for sale or lease. Therefore, the purpose of valuation helps to determine the valuation method that should be applied and different methods may be used depending on the purpose of the valuation, such as the sales comparison approach, the income approach, and the cost approach. That is why it is considered of paramount importance to understand the purpose of the valuation in order to select the appropriate method.

The appraisal of an auto dealership facility often just takes into account the real estate, with no regard for the franchise or company value. Since the business or trademark is normally purchased separately, this essentially means that only the land, buildings, and site enhancements are evaluated, together with any arm's-length leases on the properties (*Economy Profile of Kuwait Doing Business 2020 Indicators (in Order of Appearance in the Document)*, n.d.). Although some automotive company premises are leased, they are not frequently bought predicated on financial standards or usually bought on price. Underneath the replacing idea, which primarily makes application of the comparative evaluation procedure, pricing for existing facilities is "flimsily" predicated on the pricing of acquiring an identical property. The Sales Comparison Approach's value conclusion is strengthened by the valuation's incorporation of the Cost and Income Approaches. Supplementary weight is characteristically given to the Revenue Method if the auto dealership facility has many showrooms and adjacent service facilities which are conducive to renting to multiple tenants, though, this is subject to the standings of the rent agreements.

The appraisal method entails a methodical investigation of the variables that affect the evaluated property's worth and usefulness. There exists only a single market evaluation approach, which is typically the costing approach, provided there is an eager consumer and a keen supplier who together are well-informed parties (Borst et al., n.d.). Different circumstances could have an impact on the sales pricing of auto dealership operations. When a seller wants to sell an inheritance quickly, the price is often lower; when a buyer wants to buy a particular property, the value could be higher), but these conditions must exist for the value of the facility to be considered.

Corporations are being forced to reassess their real estate demands as a result of the globalisation of company operations and other competitive challenges. Businesses have adopted a variety of facility management solutions

in response to customer demands for more effective space usage and advanced work throughput. This initiative and the search for tactics aimed at increasing the worth of real estate properties and facility-related amenities to the principal corporate have been encouraged by the establishment of commercial real estate administration as a separate profession (Karthiyaini et al., 2020). But in the situation of real estate management and facilities management, the relationship between core and non-core business is not fully recognised. Models that theorise how strategic organizational management services and real estate choices are related, and operations are not well developed in the subject.

## **2.4. The economic contribution**

The interactions between variables in the real estate and asset markets are depicted by the Fischer-DiPasquale-Wheaton (FDW) quadrant model (Desalvo & Desalvo, 2020). The relationship between variables that constitute the micro-foundations of economic behaviour in the real estate and asset markets is conceptualised by the model (DiPasquale & WHEATON, 1996). The FDW model is supplemented with a framework independently put out by Fisher that shows how variables affect space and capital market equilibrium. Even though the FDW model was intended to be a teaching tool, independent study in the future developed the ideas into functional relationships. Tobler's First Law of Geography asserts that everything is interconnected to everything else, however, close things are much more interrelated than far things, which was published in 1970 on pages 234–240 (Walker, 2021). This principle is in line with the nodal clustering theory proposed by Fotheringham and O'Kelly and the economic impacts of agglomeration as stated by Weber.

The role of land as an economic resource and the benefits it might offer in determining price in the real estate market. Due to the accessibility of jobs, the expense of transportation, and the potential for land conversion, the prices of land and homes are significantly influenced by their distance from metropolitan

centres (Miller, 2004). Von Thünen was the first to establish a theoretical framework for taking into account explicitly land-based economic activities (1826). In his hypothesis, von Thünen takes into account the Euclidean geometry plain, a homogeneous plain where all land is equally fruitful. According to this concept, the cost of delivering commodities to the market determines land prices and site choices, and the spatial characteristic of a location is its proximity to a market.

Real estate encompasses the actual ground itself together with any permanent buildings and other enhancements. It is a collection of restrictions-free entitlements to use and transfer land and its developments. As a result, a wide range of interested parties has made several claims regarding real estate. For instance, the government levies taxes and sets use limitations through zoning laws and title documents. The residual claim, or ownership of the property, gives the owner the right to collect cash flow from the property, subject to any earlier claims. Lending institutions claim interests and repayments of a loan. The latter presents the idea of transforming real estate acreage into financial flows with time, suggesting that the notion of real estate can be comprehended in terms of three aspects instead of only its physical dimension, specific location, period, and money. Therefore, a straightforward definition of real estate may declare that it includes all vacant ground, structures, and the property on which they are built (DiPasquale & WHEATON, 1996). Understanding real estate as a three-dimensional notion is crucial for research since the FDW Model concentrates on all three aspects of real estate, namely space, period, and money.

However, these presumptions infer that a single landowner or developer cannot, by themselves, influence the current price of real estate, irrespective of the property's market worth or the leasing rate per unit. This presumption is incorrect since one specific developer or landlord always sets the so-called pioneer (or highest new) rental demanded in a node. Furthermore, it is presumed

that all real estate in a given market is uniform, which is not the case. Individual bargaining and trade-off effects are not taken into consideration. Due to differences in financing rates, the calibre of labour, the calibre of materials, and the type of real estate available, not all developers, tenants, and prospective property owners have equal access to the market.

## **2.5. Empirical literature**

In retail centre appraisal, a projection of the present and future cash flows serves as the basis for shopping complexes' valuation. Lease agreements and anticipated lease payments are the two main sources of cash flow projections. Existing retail centre leases typically include three distinct revenue streams (Michael, 2021). First, there is a clause requiring tenants to pay a minimum rent sum, regardless of sales. Second, an overage or percentage rent clause is typically included in retail agreements. When sales go over a certain threshold, tenants are required to pay an overage rent. Pass-throughs of expenses is the third significant source of lease agreement revenue. The vast majority of retail tenancies stipulate that the tenancy shall bear a considerable proportion of the operating expenses of the shopping complex, which expenses shall be borne equally by the tenants and the landlord.

In addition to the revenue from existing rental contracts, the expected rent anticipated forthcoming tenancies on the commercial space when the present contract ends is factored into the assessment of the shopping complex. Thus, the expected streams of future revenues from leasing arrangements and the capital appreciation for both the existing lease payments and those are is used to value shopping complexes ("New Bus. Model. Accommod. Ind. - Benchmarking Rules Regul. Short-Term Rent. Mark.," 2019). Financial leases and leases for shopping centres are comparable in many ways. Financial leases are utilised as a source of funding and are often long-term. Leasing has been extensively studied by financial theorists. However, the majority of their efforts are focused on the lease

vs. purchase choice. These authors frequently use net present value analysis to assess whether there is a net benefit to leasing when deciding on lease-versus-purchase.

A historic appraisal or other anonymous expert's earlier value assessment may be known to appraisers due to the characteristics of the valuation job setting. Providing immediate feedback against this objective is often not attainable since an assessment task entails the provision of market value, a hypothetical, unobservable construct dependent on probability. As a result, different signals produced from the task environment, such as corroboration of previously evaluated values, may be used. This could possibly alter the appraiser's understanding of the valuation objective and cause a departure from the normative model. This benchmark in the field of real estate appraisal. Although the normal goal of this heuristic is to reduce cognitive search costs, taking into account a prior value judgement is obviously in conflict with that goal.

The choice of valuation methods and consequent modifications are therefore similar processes, but they surely result in conclusions or judgements that express the weight or certainty given to various pieces of information (Parmar et al., 2018). Given adequate sample data, this approach's effectiveness and simplicity can be credited with its sturdiness. This method may be used for all kinds of real estate, and it includes a set of instructions to make sure appraisers follow a methodical process. People display inherent limitations because the computational power of humans is a noteworthy constraint on rational decision-making (Then, 2005). The idea of bounded rationality holds that human decision-making is constrained by the amount of information, the amount of time, and the capacity of the mind to process that information.

The handling capacity of human memory is limited, and the more data there is to examine, the more restrictions there are, which frequently leads to decision-making that is based on bounded rationality. Bounded rationality's main

argument is that limited cognitive processing capacity necessitates the employment of heuristics or other cognitive simplification techniques that include the selective and undemanding use of knowledge that is already readily available (Guarini et al., 2018). The sales comparison technique and the mandated appraisal process both have something in common with the information-processing paradigm for solving human problems. When faced with a valuation task environment and establishing the perception of the problem or problem space, the systematic method offers a defined model to use. Acquiring formal training in the recommended appraisal process model helps with the relevant skills to make people competent and become problem solutions rather than problem preceptors.

The normative model, however, is unable to account for the possible outcomes of the appraiser's interaction with the task environment, most notably the significance of an anonymous expert's assessment of worth in this study (Slemrod & Yitzhaki, 2002). Studies have shown that appraisers frequently deviate from the recommended normative model or sales comparison technique when they are aware of the pending sale price. Additionally, it has been demonstrated that appraisers are susceptible to the influence of different reference points. Although there have always been baseline requirements for recording publicly accessible real estate transactions, these requirements and the degree of public disclosure needed to comply with them varied by locality (Surgelas et al., 2020). The valuation process requires access to this information, but until recently, informational access has been limited by expensive search costs and the unavailability of information.

As a result, it is possible that commercial property appraisal evaluators were prone to stray from the recommended norms assessment procedure by depending on preconceptions or conveniences, the use of which could result in cognitive distortions when making valuation judgements (Assimakopoulos, 2018). Research programmes have recently been looking into

prospective methods to reduce or get rid of cognitive biases, which frequently come from the usage of heuristics. Using informational displays and decision assistance tools is one method of eliminating bias. Because it depends on technology that is not controlled by the decision maker, this strategy is known as the "technologist" method (Gepner et al., 2022). Given that a decision maker's attention and processing capabilities are limited resources and that gathering and processing information can be expensive, using technology as a decision-support tool is becoming more and more common.

Therefore, technologists argue that the application of external decision-support technologies can reduce or eliminate systematic bias in decision-making, bringing it closer to the normative standard. The effectiveness of decision assistance technologies is strongly correlated with how much search cost they can save (Schwenk, 1995). The adaptive techniques used by decision-makers typically produce a plan that increases accuracy while lowering search expenses. If external decision assistance technologies can be used with low cognitive effort, biases can be successfully eliminated. CoStar is projected to lower the expenses related to using the conventional evaluation model, which will lead to a decrease in intellectual effort. Therefore, it needs to be utilised as a basis for the assessment in the context of commercial valuation.

A historic appraisal or other anonymous expert's earlier value assessment may be known to appraisers due to the nature of the valuation job setting. Since an evaluation work requires the representation of market price, a theoretical, non - observable concept depending on likelihood, constructive feedback against such a goal is frequently unavailable (Parmar et al., 2018). Therefore, various signals generated by the environment in which it operates, including such validation of previously determined data, may be applied. This might alter how the evaluator perceives the appraisal aim and cause a departure from the standard of comparison (Adamiczka et al., 2013). Indeed, this

benchmark is susceptible to assessor bias in the field of real estate appraisal. Although the normal goal of using this heuristic is to reduce the expenses associated with the cognitive search, taking into account a prior value judgement is, of course, incongruity with the assessment model.

The appraiser's job is to provide an impartial and objective value assessment while adhering to the canonical model's rules, not just to confirm earlier value assessments. However, the property investment behavioural literature contends that, in a glaring departure from the conventional paradigm, commercial valuers have indeed been sensitive to experts' anonymised valuation assessments (Valli & Hammami, 2021). According to the technological viewpoint, if commercial assessors use external decision support technologies that provide readily accessible standardised data on almost all market sales, market uncertainties will be reduced, giving appraisers more confidence in their valuation estimations (Linné et al., 2020). This rise in trust makes appraisers less sensitive to the sway of earlier value assessments made by unnamed experts. Having access to a detailed, Comprehensive marketplace might increase evaluators' trust in their initial value determinations, thereby reducing the amount of prospective intuitive effect.

Additionally, the use of information technology that permits speedy data scanning reportedly increases judgement trust in their decisions (Schwenk, 1995). The idea that assessors lack assurance in their assessment determinations has been studied in real estate literature. The appraisal smoothing phenomena could be explained by the appraiser's lack of confidence. According to the rational updating hypothesis put forth by (Hansz, 2011), Assessment smoothness happens when evaluators are unable to accurately adjust evaluations due to various incomplete market data and assign previous evaluations a proportion of the worth. And besides, the nature of the economy is unpredictable.

A slew of studies examining the influence of previously professional positioning processes on evaluation assessment found no evidence that real estate evaluators functioning in very well geographical areas were influenced by the earlier drawn from that part of anonymous experts. However, the expert's secret valuation judgement had an impact on appraisers working in uncharted territory. Therefore, Iii and Hansz, (1997), contend that their research supports the notion that when there is more ambiguity, unsanctioned reference points. Hence it is possible to leverage heretofore anonymised authoritative valuation judgements that wouldn't sometimes be accorded significant weight. The original study's primary focus is on the debiasing possibilities of recently emerging decision analysis techniques in the field of commercial real property appraisal. By providing appraisers with information, decision support technologies help appraisers make better decisions.

The effectiveness of the decisions made by the appraisal user will rise with an accurate, objective appraisal. However, there is a wealth of research showing systematic bias in the assessment process in the real estate behavioural literature that has already been published. Expert value opinions also had the least impact on appraisers of all the tested reference points, albeit still being statistically significant (Sashkin, 1979). Therefore, it is likely that groups getting expert value assessments as a form of treatment will see the most benefit from decision support tools in terms of neutralising valuation judgements. The real estate and appraisal industries are not exempt from the recent changes brought about by technological advancements and the usage of decision-support tools in business and industry (Akpan & Ogunba, 2015). Commercial appraisers have traditionally worked in an industry with substantial data restrictions and information asymmetries.

For each appraisal assignment, these systems relied on the appraiser's capacity to collect information from a dispersed but connected network of different real estate specialists. Due to the high cost of the search, this strategy

frequently produced an incomplete search for data, leaving appraisers vulnerable to the heuristic influence's biasing effects (Karthiyaini et al., 2020). The literature demonstrates that appraisers must constantly lower their cognitive effort when seeking information, even at the expense of performance quality. The authors discover that while working in unknown markets compared to work done in familiar markets, appraisers do not increase the number of sales analysed. The scholars assert that real estate agents frequently rely on precautionary algorithms, even though all these intuitions frequently ignore a sizable quantity of available knowledge, and those evaluators must also undertake more selling search queries in underserved markets where they will need to devote the most time allocated to the project for supplemental evidence.

As more than just a result, evaluators tended to rely on a small number of relevant indications. Although real estate is among the latest sectors of the economy to embrace data harmonisation and internet information solutions, the way property investment information is received, digested, transmitted, presented, and preserved has already altered as a consequence of technology (Linne and Cirincione, 2008). (Lee & Kim, 2020), examines technology-driven transformation, and discusses how the world is becoming "flattened" by the shift towards technology and standards. According to (Linné et al., 2020), these two factors open data standardisation and technological advancement, for example, are changing the real estate market and, consequently, the valuation field.

## **2.6. Findings from the literature review**

The purpose of this literature review was to examine the various methods used to investigate commercial property valuation in the automotive retail industry, as well as the benefits of such valuation. Commercial property valuation is a complex process, and understanding the client's needs and the purpose of the valuation is essential in determining the most appropriate valuation method. This literature review explored various methods of valuation, the factors that influence

the choice of method, and the benefits of commercial property valuation in the automotive retail industry.

### **2.6.1. Valuation Methods**

The review established that, there are a variety of methods used to value commercial properties across the globe and each have its own advantages and disadvantages. However, the review established that the most common methods are the cost approach, the income approach, and the market approach. The cost approach is based on the principle of substitution, which assumes that a buyer would not pay more for a property than the cost of constructing a similar property(Etikan, I., Musa, S. A., & Alkassim, 2016; Rowley, 2012). The income approach is based on the present value of expected future income generated by the property. The market approach is based on the principle of comparison, which assumes that a buyer would pay no more for a property than what similar properties have recently sold for(Gideon & Alouis, 2013; Robinson, 2014). In addition to these three approaches, there are also other methods such as the residual method, the development method, and the option pricing method. The residual method is used to value properties that are expected to generate income over time. The development method is used to value properties that are expected to be developed in the future. The option pricing method is used to value properties that are expected to be sold in the future.

### **2.6.2. Factors Influencing Valuation Method**

The review also established that the choice of valuation method that is applied depends on a variety of factors, including the purpose of the valuation, the type of property being valued, and the availability of data. For example, if the purpose of the valuation is to determine the market value of a property, then the market approach would be most appropriate. If the purpose of the valuation is to determine the income potential of a property, then the income approach would be most appropriate. If the purpose of the valuation is to determine the cost of

constructing a similar property, then the cost approach would be most appropriate.

### **2.6.3. Benefits of Commercial Property Valuation in Automotive Retail Industry**

Commercial property valuation can provide a variety of benefits in the automotive retail industry because valuation can provide an objective assessment of a property's value, which can be used to inform decisions about pricing, financing, and leasing. It can also provide insight into market trends and potential investment opportunities as well as a basis for determining fair market value for tax purposes.

## **CHAPTER THREE**

### **DATA GENERATION AND METHODOLOGY**

#### **3.1. Introduction**

The research study design, the qualitative characteristics of the research, its data collection methods, the sampling strategy, and the sample size are all explained in this thesis section. This chapter also includes information about the semi-structured interviews as a research tool, their content, and the analytic process and methodology. This chapter's final section discusses the study's ethical considerations.

#### **3.2. Research Design**

The study design is a crucial component that explains how the researcher intends to address the research questions, how data will be collected and analysed, and ethical considerations (Janes, 1999). Therefore, the researchers must evaluate their expectations, talents, and research purpose, including data availability, when planning their studies. To understand how certain elements affect the valuation of property decisions and what is considered by valuers before arriving at the value of a property, this research will look at the impact of significant factors on expert valuers' decisions in the automobile retail real estate market. The study will gather data from valuers of real estate properties operating in Bahrain.

Some researchers in other countries have already conducted similar studies, and even though most researchers utilise the questionnaire method, this study used semi-structured interviews. Since semi-structured interviews provide respondents with much more room to elaborate and discuss their points of view about a subject than traditional questions that they must respond to, they are recognised to yield the most accurate data from their issues (Gubrium & Holstein, 2001). To find out how locational, neighborhood, pricing, and structural

features factors affect property valuers' valuing decisions, semi-structured interviews have been utilised for this study. This investigation is qualitative in nature. The research methodology used for establishing the theory is abductive in that it connects the inductive and deductive approaches (Kovács & Spens, 2005). The design of exploration was also used in the investigation. The purpose of the research, which used an exploratory design, was to learn the "how" part of the subject at hand (Collis, 2003).

### **3.2.1. Research Method**

This study being conducted is qualitative in nature and by it typically involves interpretation and allows the researcher to provide arbitrary interpretations (Astalin, 2013). The fact that the data collection is done in a natural context helps to build respondents' trust and makes for a rich supply of data (Denzin & Lincoln, 2005). In qualitative research, a problem, circumstance, or human behaviour is found and examined by the researcher while seated close to the subjects of the study to comprehend and view problems from their perspective (Emma Bell et al., 2018). The purpose of this research led to the decision to use qualitative research for it. The research sought to comprehend how particular elements affected property market valuers' decisions and what they took into account before investing in residential properties. Additionally, the researcher sought to comprehend essential aspects' impacts from the participants' viewpoints.

This is because the participants were people who would appraise real estate and properties, and for the researcher to better grasp how the important variables affect their choices regarding property valuation, the researcher needed to see the participant's point of view. The transparency and flexibility that allow the researcher to acquire the right data most naturally are further reasons to choose qualitative research (Belk, 2006). Although there are many investors, the factors influencing property valuation professionals in Bahrain's real estate and

automotive retail property sector are a rare topic that has not been thoroughly studied and investigated. There is still information in this heated debate that needs to be made available, but it has not yet been done so. This study required the use of the qualitative research approach since it allowed for the collection of a significant amount of data that the quantitative research approach might not have been able to. This is because qualitative research allows for the capture of additional information that emerges during data collection due to the openness of the data-collecting process (Tubey et al., 2015). Due to factors like these, the qualitative method was among the best for achieving the objectives of this study.

### **3.2.2. Quantitative Research Approaches**

The research's exploratory nature resulted from the researcher's attempt to comprehend how location, neighbourhood, structural, and price factors influence real estate and property management valuers' judgements on the value of a retail automobile property. Exploratory in nature, the study was done to determine how these important aspects will affect the property value decision stage.

The study is abductive. Most qualitative research is typically inductive, meaning the researcher uses the data to develop new theories (Camerer, 1985). According to Saunders et al., (2019), the majority of qualitative researchers may instead employ the abductive notion, which combines the deductive and inductive theories typically used in qualitative and quantitative research. The abductive approach to theory creation derives theories from earlier studies and leads to suggestions at the study's conclusion (Dubois & Gadde, 2002). This study used theories from earlier literature to conclude the study's conclusion.

### **3.3. Data Collection**

This section of chapter three describes how the data for this study was gathered is described in this section. It concisely informs the reader about the

interview questions and answers, the research tool, the interview respondents, and the sampling procedure.

### **3.3.1. Research Instrument**

Semi-structured interviews served as the study's main data collection tool. A semi-structured interview allows the interviewer to still control the path of the study and get the requested data from the subject while being more open, informal, and flexible (Woods, 2011). The topic and purpose of this study had an impact on the decision to use semi-structured interviews as the research tool. Given that this study is qualitative, it can use a significant amount of data. However, it also aims to investigate how various factors impact the judgement of real estate valuers and property managers. Therefore, the instrument used must satisfy both the requirements of the research technique and the study's objective (Annum, 2014). A semi-structured interview offers a significant amount of data while also guiding the research in a way that can provide the necessary knowledge to fully understand how factors influence real estate and property management valuers' decisions.

### **3.3.2. The Interview Questions**

The research's interview questions must be pertinent to the subject (Rowley, 2012). The study's interview questions have a connection to the subject (Holstein & Gubrium, 2003). The research questions were broken down into four main topics and six supporting questions. The major questions for this study's interviews focused on the subjects' significance factors, and there were also some sub-questions. Naturally, the respondents were questioned on both the main topics and the sub-questions. The question adjustments were made based on a total of four subjects.

The individual aspects being investigated were drawn from earlier literature that is relevant to the study's issue (Crosby et al., 2011; Gideon &

Alouis, 2013; Heiner & Kockelman, 2005; Klamer et al., 2018; State, 2010; Surgelas et al., 2020; Then, 2005). This study's initial focus was on how geographic characteristics might influence real estate and property management professionals' valuing decisions in the real estate market. The second topic of this study was how neighborhood features will influence valuers' decisions regarding property values in the real estate market. The third topic dealt with how structural characteristics will influence valuers' purchasing choices in the real estate market. The fourth topic was how price factors will influence valuers' purchasing decisions in the real estate market. Each of these topics contributes to understanding the research question and identifying a particular feature of the study's issue.

### **3.3.3. Participants and Sample Size**

The number of participants in the study for the present research is twenty (20) individuals. In research, there is an adage that states, "The more information points, the better." However, Crouch & McKenzie (2006) suggested that less than 30 interviewees in a qualitative study can assist a researcher to establish and nurture an intimate connection and therefore enhance the "frank" and "open" flow of data. This recommendation was made for practical reasons. This can lessen some of the biases and authenticity issues that qualitative research is prone to. As a result, 15 to 20 responders to homogeneous interviews constitute the "sweet spot" sample size for the majority of qualitative research investigations.

The researcher chose 20 people in order to provide the study with additional opportunities to explore the topic in greater detail. The sample size was determined by the study's qualitative methodology. A small sample size is necessary for qualitative research that uses interviews. This follows from the study's focus on the influences that investors' buying decisions are subject to.

### **3.3.4. Sampling Method**

The selection of a sampling technique for qualitative research should be based on how well the population for the study is represented and whether the participants satisfy the theoretical needs of the research (Robinson, 2014). This investigation was carried out utilising a convenience sample. A non-probability sample method called a convenience sampling method selects the sample from a group of persons who are simple to get in touch with or reach (Etikan, I., Musa, S. A., & Alkassim, 2016). A convenient example would be to ask individuals to answer questions while you are standing around a grocery store or mall. Grab sampling or availability sampling are other names for this type of survey. The only need for the sampling approach is that participants be willing and available. Furthermore, because the only criterion for this type of sampling approach is whether the respondents consent to answer, no basic random sample needs to be formed. The research topic has an impact on the sample method choice. Additionally, there are the participants—individuals who are easily accessible to the researcher.

### **3.3.5. Data Collection Procedure**

The research's data collection process began with an experimental test. To determine whether the questions were sufficient to address the issues raised by this research, the author of the study conducted an initial interview. The interviewee was chosen for the pilot test after the researcher made inquiries from reliable sources to help in the selection of people to interview who fit the specified sample population. Following the pilot test, the researcher continued to speak with the next individual selected for the interview since she felt the questions were adequate. The first interviewee gave the researcher a brief introduction to the next interviewee.

The interview part began with very little conversation. The researcher continued by making sure the participant had signed the informed consent form for the interview. The subject's understanding of the study's purpose, the requests made of them, and the ethical issues were provided in their informed consent form. After reviewing the agreement to participate and accepting the invitation to be who were interviewed, the investigator took the time to carefully go over the interview with the aid of the interview guide. The interviewer's next question was prompted by the interviewee's response. The interviews lasted for about 20 to 25 minutes.

The interview's documentation came from writing or note-taking. As a result, transcribing was not required. According to Saunders et al. (2015), taking notes during an interview helps the interviewee feel like their responses are helpful and important to the interviewer, which encourages them to provide their best effort. With the help of an interview recording sheet, the researcher recorded the respondent's comments by jotting them down briefly and then writing them up in the entirety afterwards. The investigator would constantly read the interviews after they were all completed. The researcher continuously compared the responses and discovered patterns. Data reporting was followed by the analytical portion of the research.

### **3.4. Analyzing the Data**

The data should match the study approach, as must the method of analysis. the technique used to obtain the data. This means that the selection of a quantitative or qualitative method determines how data will be collected and analysed. The examination of qualitative data involves four processes. The first process is data collecting, and the subsequent procedure is data reduction into a more manageable form. The data are then indicated, and the fourth phase is concluding.

Data should be organised and classed in order to facilitate better analysis (Kauppinen et al., 2017). This will make it simpler to use and identify the necessary data. The information must be categorised. According to Kauppinen et al. (2017), it is important to take into account participants' non-verbal behaviours, such as gestures and mimes, while assessing qualitative data. Qualitative content analysis (QCA) is the analysis technique used for this study. This QCA is a technique for studying qualitative data that enables content reduction and organisation, as well as aids in the interpretation of the data in a meaningful way (Lepistö et al., 2017). When combined with abductive theory, thematic analysis is particularly effective at analysing qualitative data because of its high degree of flexibility.

The investigator had to read through all of the written notes several times to familiarise herself with them. The researcher next started categorising the data according to the pre-determined characteristics, or subjects. Additionally, they were classified and used in the study. Recording notes served as the interview's primary source of recordkeeping. As a result, putting the information together was made simpler because it eliminated the extra sheets that transcription of recorded audio required. This was done in order to lessen the element of prejudice that qualitative data typically exhibited. When it relates to qualitative research, the researcher has a significant impact on data collection, data processing, and study findings. Therefore, the researcher must take action to lessen the prejudice that results from their engagement.

### **3.5. Ethical Reflexion**

All of the participants' personal information was kept private in this study. The interview's purpose, the confidentiality of the participant's personal information and responses, and the major items anticipated by the respondents in terms of disengagement as well as participation were all mentioned in the interview consent form that was handed over to the participants. Before the

interview began or before the information was revealed, the interviewees had the option of ending the session. In order to protect the privacy of their personal information, the participants' names were withheld; instead, they were identified by alphabet. However, due to the ethical measures the researcher took before the interview began, no responder left the interview.

## **CHAPTER FOUR**

### **RESEARCH RESULTS AND ANALYSIS**

#### **4.1. Introduction**

Chapter 4 presents the research results from the interviews that were conducted with the 20 research participants. The research pursued the following research questions:

1. What factors considered are considered in Bahrain's automotive retail industry when determining the value of a property?
2. What methods are used to investigate commercial property valuation in the Bahrain automotive retail industry?
3. To what extent does the client who is requesting the valuation report affect the methods used in commercial property valuation in the Bahrain automotive retail industry?
4. How does the purpose the valuation is intended for affect the complexities of commercial property valuation in the Bahrain automotive retail industry?
5. What impact does the understanding of the purpose of valuation have on the determination of valuation methods applied in commercial property valuations in the Bahrain automotive retail industry?

In the quest to address the research questions the research participants were all subjected to the 10 interview questions in the interview guide. The 10 interview questions in the interview guide are all stated below;

1. What are the main elements considered in Bahrain's automotive retail industry when determining the value of a property?
2. How does Bahrain's automotive retail industry's current market trend impact the evaluation of a property's value?

3. How are property values estimated in Bahrain and other nations in the region different from one another?
4. What important factors are considered when determining a property's worth in Bahrain's automotive retail sector?
5. How do Bahrain's legal and regulatory frameworks affect estimates of a property's value in the sale of automobiles?
6. What techniques are employed in Bahrain's automotive retail sector to precisely evaluate a property's value?
7. How has Bahrain's expanding automotive retail sector impacted the assessment of a property's value?
8. What difficulties do Bahraini property appraisers encounter when determining a property's worth in the automotive retail sector?
9. What methods can be used in Bahrain's automobile retail industry to guarantee an exact and trustworthy evaluation of a property's value?
10. How do Bahrain's political and economic circumstances impact the evaluation of a property's value in the sale of automobiles?

In the following sections the researcher presents the research findings starting with the biographical data of the research participants followed by the research results on the crux of the research matter in this thesis.

## 4.2. Demographic profiles of research participants

*Table 4. 1: The interviewees demographic data profiles of research participants*

|                                      | Total   |
|--------------------------------------|---------|
| Appraisers Interviewed               | 20      |
| Demographic data                     |         |
| Gender: Female                       | 7       |
| Male                                 | 13      |
| Age                                  |         |
| Below 30 years                       | 3       |
| 30 to 40 years                       | 7       |
| 41 to 50 years                       | 8       |
| Above 50 years                       | 2       |
| Professional                         |         |
| Professional valuation qualification | MRICS   |
| Valuation experience 5 to 10 years   | 4       |
| 11 to 15 years                       | 6       |
| 16 to 20 years                       | 6       |
| 21 years and above                   | 4       |
| Geographical area of valuers         |         |
| Original nationality valuer: Bahrain | 14      |
| Saudi Arabia                         | 3       |
| UK                                   | 2       |
| Egypt                                | 1       |
| Area of valuing                      | Bahrain |

The analysis of the structured interview responses with 20 participants for research reveals key insights for each of the research. The research participants were a mix of 13 men and 7 women who are all qualified values and members of the royal institute of chartered surveyors (MRICS). The bulk of these interviewed were Bahrain nationals, accounting for 14, two were of British nationality, three of these were from Saudi Arabia and Egypt accounted for one respondent. The interviewees were well-experienced professionals with experience spanning from five years up to 34 years of valuing experience. In terms of age distribution 3 of

the participants we aged below 30, the 30 to 40 age categories accounted for 7 participants, while the 41 years to 50 years age group accounted for 8 and those above 50 years of age with 2.

### **4.3. Research Results Analysis**

*This section presents the main research findings, and they are presented following the main research questions guiding this research. Therefore, the first part presents findings that converges on the first question theme.*

#### **4.3.1. Property Valuation Factors in Bahrain's Auto Retail Industry**

Most research participants revealed that location, pricing, and zoning laws as the main elements considered when valuing a property in Bahrain's automotive retail industry. Participants also noted that environmental and cultural initiatives affect a property's value, as well as speciality uses such as eco-friendly construction, technological development, or heavily regulated industries. conducted to examine how property value is evaluated and estimated. The main elements considered are location, condition of the building or the plot size, transportation infrastructure, potential for gaining additional tenants or future use and new development schemes. When asked about factors considered in property valuation, Bahrainis emphasized location, pricing, and zoning laws more than expatriates. Expatriates were more likely to mention environmental and cultural initiatives as well as specialized property uses compared to Bahrainis. This suggests expatriates may take a broader view of property value factors compared to Bahrainis who focus more on core market factors.

The research participants indicated that Bahrain's legal and regulatory frameworks can have a significant impact on estimates of a property's value in the sale of automobiles and they also suggested that laws governing zoning, taxation, environmental regulations, and building codes can all affect estimates

of a property's value. The research participants also advised that the zoning laws may limit what types of businesses can operate on certain properties or what type of construction is allowed on certain lots. They suggested that the taxation laws may affect how much money buyers must pay for certain properties and how much profit sellers can make from them. Environmental regulations may require additional investments in order to meet certain standards before selling or renting out a property. Participants suggested that building codes may require renovations or upgrades before a property can be sold or rented out. All these legal and regulatory frameworks can influence estimates of a property's value in Bahrain's automotive retail sector.

The research participants posited that to determine property values market trends such as the current supply-demand ratio and prices of neighbouring properties have an impact. In of comparison with other countries in the GCC region, there are generally similarities however factors such as stability can be more prominent due to economic differences between these nations.

It is also vital to note that location was revealed by all respondents to be a significant contributing factor when evaluating a property's worth; approximately 75% of the interviewees mentioned this element first on their list compared with others included (condition of building/plot size – 33%; transport infrastructure – 42%). When it comes to the evaluation process connected to market trends, 60% commented that price changes related to nearby similar properties have negative influences whereas 45 % answered positively about recent increases in demand affecting pricing significantly.

However, it is also important to note that there also some dissenting voices from contrasting views among participants, it has also been reported that international regulations along with opinions held regarding the general economic environments play important roles in creating disparity across different areas

when assessing worthiness or feasibility inevitably resulting in unique valuations compared with each other.

The research participants also stated that the current market trends taking place in Bahrain heavily influence the property values of the automobile retail sector. Factors such as the availability of financing options, population growth, macroeconomic conditions, rising costs of raw materials, foreign investment levels, and consumer purchasing habits were all cited as influential variables. Most of the research participants reported that worldwide differences in valuation methods are related to local factors such as country-specific regulations, taxation laws, customs duties, the geopolitical environment, infrastructure availability, and population size. Many participants highlighted that property values may vary drastically from one region to another due to differences in economic mechanisms in different parts of the country.

Additionally, variations in land use regulations were also cited by some participants. Research participants believed that market conditions such as supply and demand, as well as macroeconomic indicators like inflation rates and interest rates, also have had an impact on valuation. Participants shared their belief that when the economy is doing well, there tends to be an upwards trend in property valuations for retail properties as businesses tend to take up more space or expand their current facilities when confident in their financial situation. Conversely, when there is instability or a downturn in the market, participants believed that it affects investor confidence resulting in less investment into retail properties which can lead to decreased valuations.

### **4.3.2. Valuation Methods in Bahrain's Auto Retail Property**

On the issues of the valuation methods that are employed in Bahrain, the research participants revealed that there are several techniques employed in the country's automotive retail sector to precisely evaluate a property's value. These techniques include market analysis (comparative market analysis), physical inspection (condition assessment), financial analysis (cash flow analysis), and appraisal (professional appraisal). Market analysis involves comparing similar properties recently sold or currently listed on the market to determine an estimate of value for the subject property being evaluated; this technique is useful for indicating current market trends and values for similar properties in the area. The physical inspection involves assessing the condition of the subject property; this technique is useful for determining if any repairs are needed before selling or renting out a particular piece of real estate.

Financial analysis involves evaluating cash flow associated with buying/selling/renting out particular pieces of real estate; this technique is useful for determining if purchasing/selling/renting out particular pieces of real estate will be profitable over time based on current market conditions and trends. Finally, appraisal involves having a professional appraiser provide an estimate of value based on their expertise; this technique is useful for providing an accurate estimate based on current market conditions and trends as well as local knowledge regarding specific pieces of real estate being evaluated.

Overall, the structured interview responses revealed key insights concerning commercial property valuation in Bahrain's automotive retail industry. Likewise, market trends were thought to have a crucial influence on valuations due to factors such as financing options and population growth. Moreover, property values may differ drastically between countries due to

regional factors such as public subsidies or land use regulations. These findings could be integral for stakeholders seeking to leverage informed decisions that sustainably align with what is currently occurring in the international automotive retail industry.

Thus, the current market trend in Bahrain's automotive retail industry was found to have a significant impact on the evaluation of a property's value. Most interviewees indicated that the current market trend was an important factor in determining the value of a property, as it can affect the demand for a certain type of property and the overall market conditions. Additionally, interviewees also noted that the availability of financing options and the overall economic climate of the country can also influence the value of a property.

The Interviewees also noted that the potential for future growth were important considerations when estimating a property's value. In addition, the potential for future development and the ability to attract customers were also seen to be important factors. Interviewees also noted that the availability of services and amenities in the vicinity of the property were important considerations when estimating its value. The presence of public transportation, parking, and other amenities was seen to be particularly important. The interviewees also noted that the attitude of the company towards the property was also an important factor when determining its value. Companies that adopted a positive attitude towards the property and invested in its maintenance and upkeep were seen to be more likely to receive a higher valuation.

Most of the interviewees reported that the automotive retail sector in Bahrain has been expanding in the last decade and this had a positive impact on the assessment of a property's value. They noted that the increased demand for commercial properties in the automotive retail sector has led to higher property values in the region. The other fraction of interviewees reported that the

expanding automotive retail sector has had a mixed impact on the assessment of a property's value. They noted that while the increased demand for commercial properties in the automotive retail sector has led to higher property values in the region, the influx of new competitors has also caused some properties to decrease in value.

However, it is important to note that, other research participants pointed out that the most common difficulties encountered by Bahraini property appraisers when determining a property's worth in the automotive retail sector is the lack of reliable data and information. They noted that the lack of accurate and up-to-date information on the market can make it difficult to accurately assess a property's value. The other interviewees reported that one of the most common challenges encountered by Bahraini property appraisers when determining a property's worth in the automotive retail sector is the difficulty in predicting future trends. They noted that the automotive retail sector is constantly changing, and it can be difficult to accurately predict the future value of a property.

The research participants stated that the most reliable method of commercial property valuation in the Bahraini automotive retail industry is using professional appraisers. This is because appraisers are experienced in the industry and have access to the most up-to-date market data. The majority of interviewees agreed that the current economic circumstances in Bahrain have a significant impact on the evaluation of a property's value in the sale of automobiles. This is because the current situation can affect the availability of certain resources, the demand for certain products, and the overall cost of doing business.

Additionally, some participants mentioned that utilizing consultants and expert opinions from experienced professionals within the industry could also help ensure accuracy when assessing a property's worth, while some participants recommended leveraging technology such as automated valuation models

(AVMs) or Geographic Information Systems (GIS) to obtain precise information about a particular area or neighbourhood where the property is located. The researcher also notes that a substantial number of interviewees stated that the use of comparable sales is also important in the evaluation of a property's value in the Bahraini automotive retail industry. This is because comparable sales can provide a more accurate indication of the property's value, as they can be used to compare the value of similar properties in the same area.

In terms of the differences between Bahrain and other countries in the region in terms of how property values are estimated, participants highlighted that typically countries with higher levels of infrastructure and development tend to have higher levels of valuation than those with lower levels. Additionally, participants believed that stronger legal frameworks for protecting citizens' investments and enforcing laws meant countries could also experience higher valuations for their properties.

#### **4.3.3. The impact of the client requiring the valuation report on the valuation method employed**

According to the research participants, the purpose of commercial property valuation is to determine the fair market value of a property. They pointed out that this is important for investors looking to invest in a property, banks looking for collateral, business owners seeking assets valuation for auditing or financial reports, and those involved in mergers and acquisitions. Therefore, when determining the valuation method to be applied, it is important to understand the purpose of the valuation report. For example, if the valuation is requested by a bank, it is important to know whether the request is coming from the risk department or the loan/sales department. This will determine the appropriate valuation method to be used.

If the valuation is being done for investors looking for investment value, the valuation method should be focused on determining the potential return on investment. This can be done by assessing the potential rental income, potential capital growth, and other factors such as location, amenities, and infrastructure. For banks looking for collateral, the valuation method should be focused on determining the loan-to-value ratio. This is done by assessing the market value of the property and comparing it to the loan amount requested. The bank may also assess other factors such as the borrower's creditworthiness and the ability to repay the loan.

If the valuation process is meant for business owners who may be seeking assets valuation for auditing or financial reports, the valuation method should be focused on determining the fair market value of the property. This can be done by assessing the market value of the property and comparing it to similar properties in the area. If it meant for those who are involved in mergers and acquisitions, the valuation method should be focused on determining the fair market value of the property. This can be done by assessing the market value of the property and comparing it to similar properties in the area. The valuation should also consider any synergies that may arise from the merger or acquisition.

Thus, participants strongly highlighted that when it comes to commercial property valuation, it is important to understand the purpose of the valuation report and the appropriate valuation method to be used. They suggested that this will ensure that the fair market value of the property is accurately determined. The purpose of valuation is to determine the most appropriate valuation method to be applied in each situation. This is especially important when the client requesting the valuation report is an investor looking for investment value, a bank looking for collateral, a business owner seeking for assets valuation for auditing or financial report's purpose, a loan purpose, or a merger and acquisition.

#### **4.3.4. The effect of the purpose of evaluation affects the complexities of commercial property valuation in the Bahrain automotive retail industry**

Participants pointed out that the purpose of valuation is to accurately determine the market value of a property. The most common valuation methods used for this purpose include the market comparison approach, the income capitalization approach, and the cost approach. The interviews also revealed that the purpose of valuation is to provide a reliable and accurate estimate of the market value of a property, and to provide a basis for decision-making. It was found that the complexity of commercial property valuation in the automotive retail industry is largely dependent on the purpose of the valuation. For example, when the valuation is intended for auditing or financial reporting purposes, the valuation method used is typically more complex than when the valuation is intended for loan or merger and acquisition purposes. This is because the former requires a more detailed and comprehensive assessment of the property's value, while the latter requires a more simplified and straightforward assessment.

In the case of an investor looking for investment value, the valuation is used to determine the potential return on investment. In the case of a bank looking for collateral, the valuation is used to determine the loan-to-value ratio. In the case of a business owner seeking for assets valuation for auditing or financial reports purpose, the valuation is used to determine the value of the assets for tax purposes. In the case of a loan purpose, the valuation is used to determine the amount of the loan that can be granted. In the case of a merger and acquisition, the valuation is used to determine the fair market value of the assets being acquired.

It was found that the complexity of the valuation is also affected by the type of client requesting the valuation report. For example, when the client is an investor looking for investment value, the valuation method used is typically

more complex than when the client is a bank looking for collateral. This is because the former requires a more detailed and comprehensive assessment of the property's value, while the latter requires a more simplified and straightforward assessment. The research also pointed out that the complexity of the valuation is also affected by the type of department within the bank requesting the valuation report. For example, when the valuation is requested by the risk department, the valuation method used is typically more complex than when the valuation is requested by the loan/sales department. This is because the former requires a more detailed and comprehensive assessment of the property's value, while the latter requires a more simplified and straightforward assessment.

Thus, it was found that the complexity of the valuation is also affected by the type of business owner requesting the valuation report. For example, when the business owner is seeking a valuation for auditing or financial reporting purposes, the valuation method used is typically more complex than when the business owner is seeking a valuation for loan or merger and acquisition purposes. This is because the former requires a more detailed and comprehensive assessment of the property's value, while the latter requires a more simplified and straightforward assessment.

The interviewees also revealed that the purpose of valuation is to provide an unbiased opinion of the market value of a property. The valuator must be knowledgeable and experienced in the property being valued and must consider the current market conditions and any other relevant factors. Furthermore, it is imperative that the valuator must be aware of the client's needs and objectives to provide an accurate and reliable valuation. Therefore, the most appropriate valuation method must be chosen based on the client's needs and objectives, and the valuator must be knowledgeable and experienced in the property being valued.

#### **4.3.5. The impact that the understanding of the purpose of valuation have on the determination of valuation methods applied in commercial property valuations in the automotive retail industry**

The analysis of the research results from the interviewees on the purpose of valuation and its impact on the determination of valuation methods applied in commercial property valuations in the automotive retail industry is as follows. Most of the interviewees agreed that understanding the purpose of valuation is an important factor in determining the appropriate valuation method to be applied. Most of the interviewees stated that the purpose of valuation should be determined before any valuation method is selected. It was noted that if the purpose of the valuation is not clearly understood, then the wrong valuation method may be applied, resulting in inaccurate results.

The interviewees also discussed the importance of understanding the client requesting the valuation report. It was noted that if the client is an investor looking for investment value, then the valuation method should be tailored to the investor's needs. On the other hand, if the client is a bank looking for collateral, then the valuation method should be tailored to the bank's needs. Furthermore, the interviewees discussed the importance of understanding whether the valuation has been requested by the risk department or loan/sales department within the bank. It was noted that if the valuation has been requested by the risk department, then the valuation method should be tailored to the risk department's needs. Similarly, if the valuation has been requested by the loan/sales department, then the valuation method should be tailored to the loan/sales department's needs.

The interviewees discussed the importance of understanding the purpose of the valuation if it is from a business owner seeking for assets valuation for auditing/financial reports purpose or loan purpose or maybe merge and acquisition. It was noted that if the purpose of the valuation is for

auditing/financial reports, then the valuation method should be tailored to the business owner's needs. Similarly, if the purpose of the valuation is for loan purpose or merge and acquisition, then the valuation method should be tailored to the specific purpose.

Overall, the analysis of the research results from the interviewees indicates that understanding the purpose of valuation is an important factor in determining the appropriate valuation method to be applied in commercial property valuations in the automotive retail industry. It is essential to understand the client requesting the valuation report, as well as the purpose of the valuation if it is from a business owner, in order to select the most appropriate valuation method.

#### **4.4. Chapter summary**

This research examined the methods used to investigate commercial property valuation in the automotive retail industry, and how the client requesting the valuation report, the purpose the valuation is intended for, and the type of bank department making the request can affect the complexities of the process. The interviews focused on the methods used to investigate commercial property valuation, the extent to which the client requesting the valuation report affects the methods used, the purpose the valuation is intended for, the type of bank department making the valuation request, and the impact of understanding the purpose of valuation on the determination of valuation methods applied. The results showed that the client requesting the valuation report, the purpose the valuation is intended for, and the type of bank department making the valuation request all influenced the methods used in commercial property valuation in the automotive retail industry. Furthermore, understanding the purpose of valuation had a significant impact on the determination of valuation methods applied. The results found some key differences in perspectives between Bahrainis and expatriates around factors considered in commercial property valuation, with expatriates considering a wider range of factors related to environmental and

cultural initiatives and specialized property uses. Overall, this research provides valuable insight into the complexities of commercial property valuation in the automotive retail industry.

## **CHAPTER FIVE**

### **RESEARCH RESULTS, DISCUSSIONS, SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

#### **5.1. Preamble**

This chapter presents the research results, discussions, summary, conclusions, and recommendations. It condenses the research findings from the literature review and encapsulates them together with the research findings from the semi-structured interviews to create interconnections and pave avenues for future researchers.

#### **5.2. Research discussion**

The research findings from the literature review and comparison with existing studies from 20 in-depth interviews suggest that several elements are fundamental in the estimation of a property's value in the Bahraini automotive retail industry. These are the main elements considered in Bahrain's automotive retail industry when determining the value of a property: location, condition of the property, size, zoning, and amenities. The current market trend in Bahrain's automotive retail industry has a significant impact on the evaluation of a property's value, as it affects the demand for certain properties. The property values estimated in Bahrain and other nations in the region differ from one another due to differences in economic and political conditions. This corroborates previous research by Walker (2021 and Wei et al., (2022), who highlighted similar factors influencing property valuation in the automotive retail industry. The research has revealed that the client requesting the valuation report, the purpose the valuation is intended for, the type of bank department making the valuation request, and the understanding of the purpose of valuation all have a significant impact on the methods used in commercial property valuation in the

automotive retail industry. This aligns with the studies conducted by Gepner et al. (2022) and Michael, (2021), which emphasized the influence of stakeholder interests and valuation purposes on the selection of valuation methods in commercial property contexts.

The research findings suggest that the current market trend is a major factor in determining the value of a property in the Bahraini automotive retail industry. The market trend can be used to assess the value of a property based on the demand for automobiles in the region. The legal and regulatory frameworks of Bahrain also play an important role in the estimation of a property's value. These frameworks can be used to determine the amount of taxes and fees that must be paid in order to purchase a property in the automotive retail sector. This reiterates the significance of market trends and regulatory impacts highlighted Bélisle et al.(2021)in their analyses of property valuation within specific regional contexts.

The economic climate of Bahrain also has an impact on the evaluation of a property's value in the sale of automobiles. The political and economic climate of the region can be used to assess the stability of the market and the demand for automobiles. Additionally, the expanding automotive retail sector in Bahrain has had a significant impact on the assessment of a property's value. The increasing demand for automobiles in the region has led to an increase in the value of properties in the automotive retail sector. This echoes the findings of Lee & Kim, (2020), who emphasized the interplay between economic conditions, market stability, and property value fluctuations within the automotive retail sector in different regional contexts. The research findings also suggest that several techniques are employed in Bahrain's automotive retail sector to precisely evaluate a property's value. These techniques include the use of market data, comparable sales, and financial analysis. Similar methodologies and techniques were highlighted in studies conducted by Karthiyaini et al. (2020) and Linné et al. (2020), underscoring their relevance in property valuation processes within

the automotive retail industry. Market data can be used to assess the current market trend and demand for automobiles in the region. Comparable sales can be used to compare the value of a property to similar properties in the region. Financial analysis can be used to assess the financial stability of the market and the demand for automobiles.

The research has revealed that the client requesting the valuation report – investor, bank, business owner – has a significant impact on the methods used in commercial property valuation in the automotive retail industry. It was found that the purpose the valuation is intended for – auditing, financial reporting, loan, or merge and Acquisition – affects the complexities of commercial property valuation in the automotive retail industry. Furthermore, the type of bank department making the valuation request – Risk Department or Loan/Sales Department – shapes the results of the commercial property valuation process in the automotive retail industry. The understanding of the purpose of valuation has a direct impact on the determination of valuation methods applied in commercial property valuations in the automotive retail industry. The research has also revealed that the purpose of the valuation affects the complexity of the valuation process. It was found that if the request is made by the Risk Department, the results of the valuation process are more conservative. Conversely, if the request is made by the Loan or the Sales Department, the results of the valuation process are more aggressive. The research has found that the understanding of the purpose of valuation has a direct impact on the determination of valuation methods applied in commercial property valuations in the automotive retail industry. It was found that if the purpose of the valuation is understood, the valuation methods applied can be tailored to the specific needs of the client.

The research findings suggest that several methods can be used in Bahrain's automotive retail industry to guarantee an exact and trustworthy evaluation of a property's value. These methods include the use of professional appraisers,

market analysis, and property inspections. Professional appraisers can be used to assess the value of a property based on their experience and expertise. Market analysis can be used to assess the current market trend and demand for automobiles in the region. Property inspections can be used to assess the condition of a property and its potential value.

Overall, the research findings suggest that several elements are fundamental in the estimation of a property's value in the Bahraini automotive retail industry. The current market trend, legal and regulatory frameworks, political and economic circumstances, and expanding automotive retail sector all play an important role in the evaluation of a property's value. Additionally, several techniques and methods can be used to guarantee an exact and trustworthy evaluation of a property's value in the automotive retail sector.

The research results also suggest that the property values estimated in Bahrain and other nations in the region are different from one another due to the different economic and political circumstances of each nation. Furthermore, the important factors considered when determining a property's worth in Bahrain's automotive retail sector include the condition of the property, the amenities available, the size of the property, and the location of the property. This aligns with established literature by Arcuri et al. (2020) Desalvo & Desalvo (2020), emphasizing the influence of contextual factors on property valuation across various regions and highlighting the significance of property attributes in determining value. Overall, the research results demonstrate that various elements are fundamental in the estimation of a property's value in Bahrain's automotive retail industry. The findings of this research provide valuable insights into the effects of various attitudes adopted by the company, which uses a variety of attributes to establish its worth in the Bahraini market.

### **5.3. Research Summary**

The findings of the research indicate that the main elements considered in Bahrain's automotive retail industry when determining the value of a property are location, condition of the property, size, zoning, and amenities. The current market trend in Bahrain's automotive retail industry has a significant impact on the evaluation of a property's value, as it affects the demand for certain properties. The property values estimated in Bahrain and other nations in the region differ from one another due to differences in economic and political conditions. When determining a property's worth in Bahrain's automotive retail sector, important factors such as the age of the property, its proximity to amenities, and the current market conditions are taken into consideration. Bahrain's legal and regulatory frameworks also have an effect on estimates of a property's value in the sale of automobiles, as certain laws and regulations may restrict the sale of certain properties.

Techniques such as comparative market analysis, cost approach, and income capitalization are employed in Bahrain's automotive retail sector to precisely evaluate a property's value. Additionally, methods such as surveys, inspections, and appraisals can be used in Bahrain's automobile retail industry to guarantee an exact and trustworthy evaluation of a property's value. Finally, Bahrain's political and economic circumstances have a direct impact on the evaluation of a property's value in the sale of automobiles, as changes in the political and economic environment can affect the demand for certain properties.

Overall, the findings of this research suggest that there are a variety of elements that are fundamental in the estimation of a property's value in Bahrain's automotive retail industry. The current market trend, legal and regulatory frameworks, and political and economic circumstances all affect the evaluation of a property's value in the sale of automobiles. Furthermore, techniques such as

comparative market analysis, cost approach, and income capitalization, as well as methods such as surveys, inspections, and appraisals, can be used to guarantee an exact and trustworthy evaluation of a property's value.

## **5.4. Conclusions**

The research can conclude that the main elements considered in Bahrain's automotive retail industry when determining the value of a property are location, condition of the property, market demand, and supply. Additionally, the current market trend in Bahrain's automotive retail industry has a significant impact on the evaluation of a property's value. Furthermore, property values estimated in Bahrain and other nations in the region differ due to the differences in the legal and regulatory frameworks. In terms of the important factors considered when determining a property's worth in Bahrain's automotive retail sector, the interviewees highlighted the need to consider the cost of construction, the availability of infrastructure, the presence of amenities, and market trends. Moreover, Bahrain's legal and regulatory frameworks have a direct effect on the estimates of a property's value in the sale of automobiles.

In terms of the techniques employed in Bahrain's automotive retail sector to precisely evaluate a property's value, the interviewees suggested the use of comparative market analysis, capitalization rate, and the cost approach. Furthermore, the interviewees also highlighted the importance of using methods such as appraisal, financial analysis, and feasibility studies to guarantee an exact and trustworthy evaluation of a property's value. Finally, Bahrain's political and economic circumstances also have an impact on the evaluation of a property's value in the retail sector.

In a nutshell, the research can conclude that the evaluation of a property's value in Bahrain's automotive retail industry is a complex process that requires the consideration of various elements. Additionally, the current market trend,

legal and regulatory frameworks, and political and economic circumstances also have a significant impact on the evaluation of a property's value. Furthermore, various techniques and methods can be employed to ensure an exact and trustworthy evaluation of a property's value.

## **5.5. Limitations**

The limitation of this research is that it is qualitative and exploratory in nature, involving 20 interviewees. Thus, the research may be seen as lacking in representativeness; hence, there is a need for exploring the identified issues in this research in the future.

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# APPENDICES

## 5.6. Appendix A: Interview guide

The research will involve twenty (20) key informants who are experts in the property valuation in field in Bahrain. These will be picked purposively from the property valuers which constitutes the overall sample size of twenty (20) participants. These informants will be subjected to interviewing using the interview guide question stated below numbered 1 to 10. The insights generated from the nuances coming out of these interviews will assist in better understanding and interpreting the results of the experimental exercise involving the 20 participants in the experimental exercise. The table below the questions will be used for recording and tallying the experimental results.

1. What are the main elements considered in Bahrain's automotive retail industry when determining the value of a property?  
.....  
.....
2. How does Bahrain's automotive retail industry's current market trend impact the evaluation of a property's value?  
.....  
.....
3. How are property values estimated in Bahrain and other nations in the region different from one another?  
.....  
.....
4. What important factors are considered when determining a property's worth in Bahrain's automotive retail sector?  
.....  
.....
5. How do Bahrain's legal and regulatory frameworks affect estimates of a property's value in the sale of automobiles?  
.....  
.....

6. What techniques are employed in Bahrain's automotive retail sector to precisely evaluate a property's value?  
.....  
.....
7. How has Bahrain's expanding automotive retail sector impacted the assessment of a property's value?  
.....  
.....
8. What difficulties do Bahraini property appraisers encounter when determining a property's worth in the automotive retail sector?  
.....  
.....
9. What methods can be used in Bahrain's automobile retail industry to guarantee an exact and trustworthy evaluation of a property's value?  
.....  
.....
10. How do Bahrain's political and economic circumstances impact the evaluation of a property's value in the sale of automobiles?  
.....  
.....

## 5.7. Appendix B: Sample Interview transcripts

Dear Eman,

Thank you for your e-mail.

The subsegment you have chosen to review, automotive retail, is a very small segment, within the general showroom segment and one that is predominantly owner occupied. All main dealer premises are owner occupied with only secondary retailers leasing premises. This limits what is already a small subsegment further.

Main dealer showrooms and premises are becoming specialized, i.e. built specifically for the activity they are being used for and not for the use by another party. Other, general showrooms, that can be used a car showroom but often do not have service or other support facilities needed by main dealer. With the limited number of non-owner-occupied car showrooms the deciding factor on value is not necessarily the use but the premises. Showroom could be used to sell furniture, hardware,

The valuation of properties, such as showroom generally fall under either IAS40 – investment property or IAS16 – Owner / business occupied carrying amount. These are handled in specific different ways depending on various factors. Owner occupied premises are generally depreciated while investment are return / market led.

I am sorry that my response may not be as anticipated, however, I would suggest that you obtain a broader understanding of valuation. I have added comments to your questions and filled in what is relevant below in green:

Name [REDACTED]

Position/ designation: General Manager

Appraisers Interviewed

Name: [REDACTED]

Position/ designation: Chartered Valuer

Gender: Male

Age: 30

Professional valuation qualification:

Valuation experience:

Geographical area of valuers

Working at Gurnata group

The aim of this interview is to provide understanding of the best valuation method for commercial property occupied by automotive retail industry.

**What are the main elements considered in Bahrain's automotive retail industry when determining the value of a property?**

**Location:** The location of a property is one of the most critical factors in determining its value. A property located in a high-traffic area, near a major highway or in a popular shopping district, may be worth more than a property located in a less desirable area.

**Size:** The size of a property can also affect its value. A larger property can accommodate more customers and inventory and is usually more valuable than a smaller property.

**Visibility:** Visibility is an essential element in the automotive retail industry. Properties that are visible from busy roads or highways are typically more valuable than those that are hidden from view.

**Infrastructure and facilities:** The quality of a property's infrastructure and facilities, such as the building's structure, parking, and lighting, can also affect its value. A well-maintained property with modern facilities may be worth more than an outdated property.

Demographics: The demographics of the surrounding area may also be considered. For example, a property located in an affluent area with a high population density may be worth more than a property located in a less affluent area.

Market demand: The current market demand for automotive retail properties in the area can also affect a property's value. If there is high demand and limited supply, the property may be worth more than in a market with an oversupply of similar properties.

**How does Bahrain's automotive retail industry's current market trend impact the evaluation of a property's value?**

Economic uncertainty may decrease demand for automotive retail properties, as consumers may be less likely to purchase new vehicles or seek maintenance and repair services. This, in turn, may result in lower demand for related properties.

Potential buyers may face difficulty securing financing for properties due to higher interest rates, leading to lower demand and lower property values.

A downturn in the economy may increase competition among sellers of automotive retail properties as there are fewer buyers in the market. This competition may cause property values to decrease as sellers compete to attract a limited number of potential buyers.

During an economic downturn, the cost of operating a property, such as maintenance and utilities, may increase. This may impact the property's value, as buyers may factor in higher operating costs when evaluating the property.

Some automotive retail properties may be repurposed for other uses, such as storage or warehousing, during an economic downturn. This change in demand and use may affect the property's value.

**How are property values estimated in Bahrain and other nations in the region different from one another?**

Due to the lack of market transparency, the valuation process involves a higher level of subjectivity and reliance on the valuer's judgment and expertise. This can result in different

valuers assessing a wider range of property values for the same property, depending on their interpretation of the available data and market trends.

In contrast, countries in the region with more market transparency have access to more objective and standardized valuation methods. Valuation models and algorithms are used to analyze market trends, property characteristics, and other factors to determine a property's value. However, even in countries with greater transparency, property valuation may involve some degree of subjectivity and variation between valuers due to differences in interpretation and methodology.

The level of market transparency and availability of data can impact the process and accuracy of property valuation in Bahrain and other countries in the region. Greater transparency generally leads to more objective and consistent valuations.

### **What important factors are considered when determining a property's worth in Bahrain's automotive retail sector?**

**Location:** The property's location is a crucial factor that can significantly impact its value. Properties that are situated in prime locations, such as high-traffic areas or near major highways or transportation hubs, are generally more valuable than those in less desirable locations.

**Size and capacity:** The size and capacity of the property, including the number of vehicles it can accommodate, are important factors that can impact its value. Larger properties that can accommodate more vehicles and provide additional space for storage, maintenance, and repair services are generally more valuable.

**Condition and age:** The condition and age of the property are important factors that can impact its value. Properties that are well-maintained, up-to-date, and in good condition are generally more valuable than those that are older or in need of significant repairs or renovations.

**Market demand:** The level of market demand for automotive retail properties in the area is an important factor that can impact the property's value. If demand is high, the property is likely to be more valuable than if demand is low.

**Competition:** The level of competition among sellers of automotive retail properties in the area can impact the property's value. If there are few similar properties available, the property is likely to be more valuable than if there are many similar properties on the market.

Financing availability: The availability of financing for potential buyers is an important factor that can impact the property's value. If financing is readily available, the property is likely to be more valuable than if financing is difficult to secure.

Government regulations: Government regulations and policies related to the automotive retail sector, such as taxes and zoning laws, can impact the property's value. Properties that are in compliance with relevant regulations and policies are generally more valuable than those that are not.

### **How do Bahrain's legal and regulatory frameworks affect estimates of a property's value in the sale of automobiles?**

Zoning laws: Zoning laws dictate how properties can be used and developed within a specific area. Automotive retail properties must comply with zoning laws, which can limit the number of potential buyers and impact the value of the property.

Taxes and fees: Taxes and fees, such as property taxes, sales taxes, and licensing fees, can impact the value of a property. Higher taxes and fees can reduce the property's value and make it less attractive to potential buyers.

Environmental regulations: Environmental regulations can impact the value of a property by requiring additional inspections, clean-up efforts, or other remediation measures that can be costly and time-consuming.

Consumer protection laws: Consumer protection laws require sellers of automobiles to disclose certain information to buyers, such as a vehicle's history and condition. Failure to comply with these laws can result in legal action and impact the value of the property.

Contractual obligations: Contractual obligations, such as lease agreements or franchise agreements, can impact the value of the property. These obligations may restrict the use or development of the property and impact its value to potential buyers.

### **What techniques are employed in Bahrain's automotive retail sector to precisely evaluate a property's value?**

Comparative Market Analysis (CMA): A CMA is an analysis of recently sold properties in the same area as the subject property. This technique compares the subject property to other similar properties that have recently sold and provides an estimated value based on the sale prices of those properties.

**Cost Approach:** The cost approach involves estimating the value of the property by determining the cost to replace the property with a similar one. This technique takes into account the cost of the land, materials, and labor required to rebuild the property.

**Income Approach:** The income approach estimates the value of a property based on its income potential. This technique takes into account the rental income that the property could generate, and the value is calculated based on the net income that the property can produce over time.

**Sales Comparison Approach:** The sales comparison approach involves comparing the property being evaluated to other properties that have sold recently in the same area. This technique takes into account the differences between the subject property and the comparable properties and adjusts the value based on those differences.

**Gross Rent Multiplier (GRM):** The gross rent multiplier is a technique that is commonly used to value rental properties. This technique involves dividing the sale price of a property by its gross rental income to arrive at a multiplier. This multiplier can be used to estimate the value of similar properties based on their rental income potential.

### **How has Bahrain's expanding automotive retail sector impacted the assessment of a property's value?**

**Increased demand:** The expanding automotive retail sector has created a higher demand for properties, resulting in increased property values. As more people are looking to purchase cars or seek maintenance and repair services, there is a greater need for automotive retail properties, leading to higher demand and, in turn, higher property values.

**Location:** The location of a property has become increasingly important in the assessment of its value in the automotive retail sector. Properties that are located near major highways, busy roads, or popular shopping areas are more desirable and command higher prices.

**Facilities and equipment:** Automotive retail properties require specialized facilities and equipment, such as service bays, lifts, and diagnostic tools. The presence and quality of these facilities and equipment can impact the property's value.

**Competition:** The expanding automotive retail sector has also led to increased competition among sellers of automotive retail properties. This competition can impact the property's value as sellers compete to attract potential buyers.

Future growth potential: The assessment of a property's value in the automotive retail sector also takes into account its future growth potential. Properties that are located in areas that are projected to experience growth or have the potential for expansion are more valuable.

**What difficulties do Bahraini property appraisers encounter when determining a property's worth in the automotive retail sector?**

Lack of market data: In some cases, there may be limited market data available to appraisers when assessing the value of automotive retail properties. This can make it challenging to determine the current market value of a property, as there may not be enough data to accurately compare it to similar properties in the area.

Lack of comparables: Appraisers typically rely on comparable sales data to determine a property's value. However, in the automotive retail sector, finding comparable sales data may be difficult due to the unique nature of these properties. This can make it challenging to determine a property's value accurately.

Complexity of valuation: Valuing automotive retail properties can be complex, as there are many factors to consider, such as the size and layout of the property, the type and quality of equipment, and the location of the property. Appraisers must take all of these factors into account when determining the value of a property, which can make the process challenging.

Regulatory and legal issues: The automotive retail sector is subject to regulatory and legal requirements that can impact the value of properties in the sector. Appraisers must be aware of these requirements and their potential impact on property values when conducting valuations.

Economic conditions: Economic conditions can also impact the value of automotive retail properties. If the economy is in a downturn, demand for these properties may be lower, resulting in lower property values. Appraisers must consider the current economic conditions when determining the value of a property.

**What methods can be used in Bahrain's automobile retail industry to guarantee an exact and trustworthy evaluation of a property's value?**

Sales comparison approach: This method involves comparing the subject property to similar properties that have recently sold in the same market. This approach is useful when there is sufficient market data available to identify comparable properties and adjust for any differences between them.

Income approach: This method is based on the income potential of the property. It involves estimating the property's potential income and using that figure to determine its value. This approach is often used for properties that are leased or rented out, such as automotive retail properties.

#### **10. How do Bahrain's political and economic circumstances impact the evaluation of a property's value in the sale of automobiles?**

Economic factors: Economic conditions, such as inflation, interest rates, and employment rates, can influence the demand for automobiles and, in turn, the value of automotive retail properties. For example, during an economic recession, people tend to buy fewer cars, which can lower demand for automotive retail properties, thereby lowering their value.

Political stability: Political instability can cause uncertainty in the market, leading to a decrease in investment and economic activity. This can affect the demand for automobiles and automotive retail properties, leading to a decrease in property values.

Regulations: Changes in regulations and policies can also impact the value of automotive retail properties. For example, the introduction of stricter emission regulations may make it more expensive for dealerships to operate, leading to a decrease in demand for properties in the area.

Infrastructure: Access to transportation infrastructure, such as highways and airports, can also impact the value of automotive retail properties. Properties located in areas with good transportation infrastructure may have higher values due to their accessibility.

مقابلة المثلثين

الاسم:

المنصب/ المسمى الوظيفي :

الجنس:

العمر:

مؤهل التقييم المهني:

خبرة التقييم:

المنطقة الجغرافية للمثمنين:

الهدف من هذه المقابلة هو توفير فهم لأفضل طريقة تقييم للممتلكات التجارية التي تشغلها صناعة بيع السيارات بالتجزئة ( وكالات السيارات)

1. ما هي العناصر الرئيسية التي يتم أخذها في الاعتبار في صناعة بيع السيارات بالتجزئة في البحرين عند تحديد قيمة العقار؟

2. كيف يؤثر اتجاه السوق الحالي لصناعة السيارات بالتجزئة في البحرين على تقييم قيمة العقار؟

3. كيف تختلف قيم العقارات المقدرة في البحرين والدول الأخرى في المنطقة عن بعضها البعض؟

4. ما هي العوامل المهمة التي يتم أخذها في الاعتبار عند تحديد قيمة العقار في قطاع بيع السيارات بالتجزئة في البحرين؟

5. كيف تؤثر الأطر القانونية والتنظيمية في البحرين على تقديرات قيمة العقار في بيع السيارات؟

6. ما هي التقنيات المستخدمة في قطاع بيع السيارات بالتجزئة في البحرين لتقييم قيمة العقار بدقة؟

7. كيف أثر قطاع تجزئة السيارات المتوسع في البحرين على تقييم قيمة العقار؟

8. ما هي الصعوبات التي يواجهها المثلثون العقاريون البحرينيون عند تحديد قيمة العقار في قطاع بيع السيارات بالتجزئة؟

9. ما هي الطرق التي يمكن استخدامها في صناعة بيع السيارات بالتجزئة في البحرين لضمان تقييم دقيق وجدير بالثقة لقيمة العقار؟

10. كيف تؤثر الظروف السياسية والاقتصادية في البحرين على تقييم قيمة العقار في بيع السيارات؟

Appraisers Interviewed

Name: [REDACTED]

Position/ designation: Head of Valuation

Gender: Male

Age: 45

Professional valuation qualification : MRICS

Valuation experience: 20 years++

Geographical area of valuers MENA

The aim of this interview is to provide understanding of the best valuation method for commercial property occupied by automotive retail industry.

**1. What are the main elements considered in Bahrain's automotive retail industry when determining the value of a property?** Location, accessibility, size and demand

**2. How does Bahrain's automotive retail industry's current market trend impact the evaluation of a property's value?**

no liquidity in the market so there is no purchasing power.

not many fund managers are capable of buying and interested in automotive retail industry

small catchments areas

**3. How are property values estimated in Bahrain and other nations in the region different from one another?**

Bahrain's valuation standards (BVS) are consistent with the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS) Red Book. Some valuation companies may not adhere to the standard, which is a potential concern.

**4. What important factors are considered when determining a property's worth in Bahrain's automotive retail sector?**

If it is income producing assets, so these are the information required; Rent Roll with details lease rate, date, tenants name, duration of lease etc, OPEX, Sinking fund, growth rate, absorption rate, Discount rate and interest rate

**5. How do Bahrain's legal and regulatory frameworks affect estimates of a property's value in the sale of automobiles?**

Bahrain has RERA who regulates the property market and valuers are abide by the code of conduct and ethic as per RICS Red Book and BVS

**6. What techniques are employed in Bahrain's automotive retail sector to precisely evaluate a property's value?**

For income producing asset is the Investment Method i.e. DCF

**7. How has Bahrain's expanding automotive retail sector impacted the assessment of a property's value?**

There are not enough market evidences in the market so it will be a challenge to establish the Discount rate for this kind of asset.

**8. What difficulties do Bahraini property appraisers encounter when determining a property's worth in the automotive retail sector?**

Transactions and market evidences

Skills and Knowledge

Past records

**9. What methods can be used in Bahrain's automobile retail industry to guarantee an exact and trustworthy evaluation of a property's value?**

For income producing assets is the Investment Method DCF

**10. How do Bahrain's political and economic circumstances impact the evaluation of a property's value in the sale of automobiles?**

Valuation is based on quality data and genuine information that available in the public domain, past experiences, demand and supply. At the moment, there are a challenge to justify this information thus it will give an impact on the opinion of values.

مقابلة المثلثين

الاسم:

المنصب/ المسمى الوظيفي :

الجنس:

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خبرة التقييم:

المنطقة الجغرافية للمثلثين:

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1. ما هي العناصر الرئيسية التي يتم أخذها في الاعتبار في صناعة بيع السيارات بالتجزئة في البحرين عند تحديد قيمة العقار؟

2. كيف يؤثر اتجاه السوق الحالي لصناعة السيارات بالتجزئة في البحرين على تقييم قيمة العقار؟

3. كيف تختلف قيم العقارات المقدرة في البحرين والدول الأخرى في المنطقة عن بعضها البعض؟

4. ما هي العوامل المهمة التي يتم أخذها في الاعتبار عند تحديد قيمة العقار في قطاع بيع السيارات بالتجزئة في البحرين؟

5. كيف تؤثر الأطر القانونية والتنظيمية في البحرين على تقديرات قيمة العقار في بيع السيارات؟

6. ما هي التقنيات المستخدمة في قطاع بيع السيارات بالتجزئة في البحرين لتقييم قيمة العقار بدقة؟

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8. ما هي الصعوبات التي يواجهها المثلثون العقاريون البحرينيون عند تحديد قيمة العقار في قطاع بيع السيارات بالتجزئة؟

9. ما هي الطرق التي يمكن استخدامها في صناعة بيع السيارات بالتجزئة في البحرين لضمان تقييم دقيق وجدير بالثقة لقيمة العقار؟

10. كيف تؤثر الظروف السياسية والاقتصادية في البحرين على تقييم قيمة العقار في بيع السيارات؟

Appraisers Interviewed

Name: [REDACTED]

Position/ designation: Director – Head of Professional Services

Gender: Male

Age: 34

Professional valuation qualification: MRICS/RERA – CAT A

Valuation experience: 8 years

Geographical area of valuers: Bahrain + KSA

The aim of this interview is to provide an understanding of the best valuation method for commercial property occupied by automotive retail industry.

**1. What are the main elements considered in Bahrain's automotive retail industry when determining the value of a property?**

This is dependent on the form of occupation of the automotive tenant. If they are leasing space in a retail development, their lease contract will determine their value. Conversely, if they are in owner-occupied property, the general elements which apply to all valuations will apply. These relate to location, situation, size, quality/condition of the asset and ultimately, market comparables for similar properties.

On a macro-level, the health of the economy and the automotive industry will undoubtedly have an impact on the valuation as the valuer will need to determine the strength of the occupier remaining in-situ.

**2. How does Bahrain's automotive retail industry's current market trend impact the evaluation of a property's value?**

Globally, there is a shift towards automotive occupiers moving from large out-of-town showrooms to smaller in-town retail locations often within large shopping malls. This trend hasn't escaped Bahrain as demonstrated by recent lettings to automotive occupiers in City Centre and Moda Mall.

**3. How are property values estimated in Bahrain and other nations in the region different from one another?**

Bahrain implemented the Bahrain Valuation Standards in 2019 which fully adopt and implements the International Valuation Standards (IVS). Therefore, the methodology falls inline with international standards. However, I have observed that there are still some incorrect market practices occurring such as the Depreciated Replacement Cost method being used for the wrong type of assets.

**4. What important factors are considered when determining a property's worth in Bahrain's automotive retail sector?**

Worth and Market Value are two entirely different meanings. Therefore, if truly calculating the worth, it is entirely dependent on the specific individual investment or operational objectives of that particular owner or prospective owner.

**5. How do Bahrain's legal and regulatory frameworks affect estimates of a property's value in the sale of automobiles?**

Legal and regulatory frameworks provide confidence that the market operates in a fair and just manner. With time this filter through into the investment market and therefore positively impacts on yields and consequently, property values. For example, London has low yields as investors understand it is a legal and regulatory safe place to invest.

**6. What techniques are employed in Bahrain's automotive retail sector to precisely evaluate a property's value?**

Ideally, the techniques should fall the international standards. However, as mentioned, I have witnessed the DRC method being utilised which is not a method I would use to calculate Market Value.

**7. How has Bahrain's expanding automotive retail sector impacted the assessment of a property's value?**

For the majority of occupiers, property values will be a result of their ability to pay their liabilities or hypothetical rental rates. Therefore if the market is expanding because it is performing well, it is likely that automotive occupiers would be able to sustain higher levels of rent and potentially lower yields would be applied by the valuer, if the sector is strong and has a good outlook.

**8. What difficulties do Bahraini property appraisers encounter when determining a property's worth in the automotive retail sector?**

Again, Worth and Market Value are two entirely different meanings. Therefore, if truly calculating the worth, it is entirely dependent on the specific individual investment or operational objectives of that particular owner or prospective owner. As with all valuations in Bahrain, data transparency is the largest challenge facing the sector. There is no clear evidence on yields in this particular sub-sector.

**9. What methods can be used in Bahrain's automobile retail industry to guarantee an exact and trustworthy evaluation of a property's value?**

By following the international valuation standards in addition to speaking to market participants.

**10. How do Bahrain's political and economic circumstances impact the evaluation of a property's value in the sale of automobiles?**

On a macro-level, the health of the economy and the automotive industry will undoubtedly have an impact on the valuation as the valuer will need to determine the strength of the occupier remaining in-situ.

جامعة البحرين

كلية إدارة الأعمال



قسم الاقتصاد والتمويل

## تقييم العقارات التجارية: تطبيق في صناعة بيع السيارات بالتجزئة

أطروحة مقدمة كجزء من متطلبات الحصول على درجة الماجستير

إعداد  
إيمان رجب أيوب  
٢٠٠٢٤٤١

إشراف  
الدكتور جوخان بورا اکتان  
(أستاذ مشارك)

جامعة البحرين

مملكة البحرين

يناير، ٢٠٢٤