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Property Investment

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To Joan

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The Valuation of Property Investments (with N. Enever)

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Property Development, Appraisal and Finance

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Property Valuation Techniques (with T. Steley)

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Preface

This book provides a basis for the study of property investment and will be useful for both students and practitioners. The book has three main sections: principles and markets, appraisal techniques and portfolio analysis. For students it will provide a text at intermediate level (2nd/3rd year undergraduates) in estate management, property, surveying, planning, design and construction disciplines. Those in adjacent areas of study such as housing and economics will find this a useful introduction to the area of commercial property investment. Practitioners involved with property investment, and this includes a wide area of professionals, including surveyors, builders, construction managers, architects, engineers, estate managers and agents will find this a useful overview, perhaps enlightening them to the range of activities involved in the investment process and updating them on contemporary methods of property investment appraisal. Professional advisors such as bankers, financial advisors, accountants, investors, analysts and lawyers should also find this text useful as an aid to their dealings in the property sector.

Where possible I have obtained data and statistics to place property investment appropriately in the wider economic and financial context. I have aimed to reference the material as well as possible but apologise for any omissions. There are relatively few texts in the area of property compared to most other investment sectors and I have tried to reference existing ones as fully as possible to provide additional views and perspectives for the reader in a very complex and difficult area of activity. The art of property investment including appraisal, valuation and analysis has developed enormously over the last twenty years and this book aims to encourage readers to take the development further and consolidate the innovations in research and practice.

Finally, I would like to thank those who have assisted me in writing this book, the late Professor Ivor Seeley, the editor who provided ongoing advice for my writing and encouraged many authors in the property and construction area. Professor Seeley died during the production of this book and he will be sorely missed by both professional and academic colleagues. His contribution to the development of teaching, learning and scholarship in the area of building and surveying has been outstanding. In addition I would like to thank Malcolm Stewart, my publisher who is ever patient and supportive. I would also like to thank Mike Riley and Chesterton International for practical support in my researches. Many colleagues and external organisations have provided me with information and assistance and these are listed in the acknowledgements below. Finally, as ever, I am reliant on the continued support of Professor David Wills, Lewis Anderson and the staff of the School of Land and Construction Management at the University of Greenwich to develop my research and studies and I am grateful for their help.

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David Isaac

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List of Abbreviations

ASB	Accounting Standards Board
ALC	Agricultural Land Classification
ALPTs	Australian Listed Property Trusts
Amt £1	Amount of £1
APT	Arbitrage Pricing Theory
APUTs	Authorised Property Unit Trusts
ASF	Annual sinking fund
ARY	All risks yield
BCIS	Building Cost Information Service
BPF	British Property Federation
CAPM	Capital Asset Pricing Model
CML	Capital market line
COV	Covariance
CSO	Central Statistical Office
DAV	Defined accounting value
DCF	Discounted cash flow
DEFRD	Deferred
DF	Depreciation factor
DHSS	Department of Health and Social Security
DSS	Department of Social Security
DoE	Department of the Environment
DTI	Department of Trade and Industry
EBIT	Earnings before interest and tax
ENPV	Expected net present value
ER	Expected return
ERP	Estimated realisation price
ERV	Estimated rental value
ENPV	Expected net present value
EU	European Union
EUV	Existing use value
FRI	Fully repairing and insuring (lease)
FTSE	Financial Times Stock Exchange (index)
GDO	General Development Order
GLC	Greater London Council
GRC	Gross replacement cost
HITs	Housing Investment Trusts
HP	Hillier Parker
IPD	Investment Property Databank
IPF	Investment Property Forum
IRFY	Inflation risk free yield
IRR	Internal rate of return
ISVA	Incorporated Society of Valuers and Auctioneers

JLW	Jones Lang Wootton
LIBOR	London Interbank Offered Rate
MAFF	Ministry of Agriculture, Fisheries and Food
MBS	Mortgage-backed securities
MCS	Monte Carlo Simulation
MFR	Minimum funding requirement
MGL	Morgan Grenfell Laurie
MPT	Modern Portfolio Theory
MRA	Multi-regression analysis
MWRR	Money-weighted rate of return
NAV	Net asset value
NNAV	Net net asset value
NPV	Net present value
NRC	Net replacement cost
OEIC	Open-ended investment company
OMV	Open market value
OTC	Over-the-counter
PERP	In perpetuity
PICs	Property Income Certificates
PINCs	Property Income Certificates
PPG	Planning Policy Guidance note
PUTs	Property Unit Trusts
PV	Present value
RADR	Risk-adjusted discount rate
RE	Richard Ellis
REITs	Real Estate Investment Trusts
RFR	Risk-free rate
RICS	Royal Institution of Chartered Surveyors
SAPCOs	Single Asset Property Companies
S.D.	Standard deviation
SIB	Securities and Investment Board
SML	Securities market line
SPOTs	Single Property Ownership Trusts
SSAPs	Statements of Standard Accounting Practice
TWRR	Time-weighted rate of return
WGS	Weatherall Green and Smith
YP	Years Purchase
YRS	Years