

LACK OF ATTENTION TO GEOLOGICAL CONDITIONS INVESTING IN LAND PLOT FOR CONSTRUCTION

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Abstract

Decisions – where and what type of building to build – are very important, determine the quality of life of residents, profitability and returns of companies. Considering of long-term asset acquisition decisions, purchasers or investors seek for proper and worth to invest land plot for construction. In real estate valuation literature usually the list of 7 or 12 factors influencing value and price of land plot is presented and broadly discussed. Certain factors raise property prices and others bring them down. Despite its importance, the influence of geological conditions on the appraised land plot are seldom investigated. Authors discuss how strongly land plot geological conditions can affect costs of prospect construction, thus decrease net present value of real estate investment project and profitability of property. In this paper the implication of negligence or underestimation of soil conditions valuation is highlighted and illustrated by case studies which show how such inobservance has resulted in a huge rise of unexpected costs of construction and loss of time.

Keywords: Construction costs; Geological and soil conditions; Land plot valuation factors; Real estate development; Geological investigations.