



Factors needed for Macroeconomic Stability

- Property Rights and Urban Laws
 - Clear, enforceable, registered and cessible property rights without costly transactions (massive size of “dead urban assets” % GDP)
 - Economically sound, market sensitive urban planning & predictable land development codes



Factors needed for Macroeconomic Stability

- Adequate Financial Infrastructure
 - Enforceable collateral
 - Foreclosure, public force, non-judiciary, trusts, alternative to mortgage, debt recovery
 - Professional appraisal services needed for healthy mortgage markets and regulations



Underlying Objectives

- Creating Efficiency – Leads directly to the bottom line
- Creating Consistency – Leads directly to higher quality
- Creating Transparency – Leads directly to greater cooperation and trust



Transparency & Civil Societies

- Stabilizing force between markets & governments
 - Independent & Objective risk analysis
 - Standards & Ethics
 - Education & Training
 - Transparency of market information
 - Sense of community



International Valuation Standards

- Facilitate cross-border transactions and contribute to the viability of international property markets by promoting transparency in financial reporting as well as the reliability of valuations performed
- Serve as a professional benchmark for valuers around the world enabling them to respond to the demands of international property markets for reliable valuations and to meet the financial reporting requirements of the global business community



Education & Training

- Many countries lack enough trained valuers to apply the generally accepted standard methodology of the three approaches to value
- Core concepts remain constant across borders, but diverse land use laws, government restrictions, cultural customs, and other behavioral aspects require that case studies developed that can adapt these concepts and help them be understand and adapted quickly in various countries



Securitization

- Real Estate Investment Trusts (REITs)
 - Currently REIT investment outpaces direct property investment
- Commercial Mortgage Backed Securities (CMBS)
 - Forecast to be \$200 billion in a few years
- Provide liquidity and security to markets
- Opportunities for valuers
 - New clients, different analysis, performance of entire market segments or entire geographic areas



Securitization

- Can increase the gap between developed and emerging economies
- No primary or inefficient primary mortgage market = no secondary market
- Macroeconomic instability, opaque systems = no investment from new instruments



Appraisal Institute

- Over 18,000 active members
- More than 300 outside the U.S.
- Active in:
 - UPAV
 - IVSC
 - FIABCI
 - FIG
 - WAVO
- Pan Pacific Congress in San Francisco in September 2006



Appraisal Institute Education Program

- **Qualifying Education** for state licensing/certification
 - 2003 140 Courses; 5,265 students
 - 2004 212 Courses; 6,915 students
- **Advanced Education** including Designation track
 - 2003 53 Courses; 1,226 students
 - 2004 74 Courses; 1,736 students
- **Continuing professional development** including seminars, online education, symposia, etc.
 - 2003 519 Programs; 11,942 students – 3,564 Online students
 - 2004 495 Programs; 11,364 students – 5,413 Online students



Appraisal Institute Publishing Program

- Publisher of valuation related texts including:
 - *The Appraisal of Real Estate*, Chinese Edition
 - *The Dictionary of Real Estate Appraisal*, Chinese Edition
 - *Appraising Industrial Properties*
 - Over \$1 million in sales for the last several years
- *The Appraisal Journal* is widely recognized as a leading valuation journal
- The Lum Library is a tremendous Internet resource



Conclusions

- **The Client of Tomorrow**
 - More interested in market analysis than value conclusions
 - Will want value predications rather than static values based on the past
 - Risk pricing will be predominate rather than individual property pricing



Conclusions

- Valuers in developed economies must develop
 - Diagnostic tools
 - Prescriptive practices
- To assist developing economies, but also because markets are interrelated
- Microeconomic intermediation



Conclusions

- Whatever the individual risks analyzed by real estate valuers, the paramount risk is the dependencies created by the global market.
- Valuers and valuation organizations, as protectors of the public good, must do more to help develop the intermediate professionals necessary to accelerate rational real estate market development.



Thank You!

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