

Commission 9 – Valuation and the Management of Real Estate

Work Plan 2015-2018

1. Title

Valuation and the Management of Real Estate.

2. Terms of Reference

- Valuation, being the estimating of value of all kinds of real estate by valuers and appraisers for various purposes, including market value, property taxation, eminent domain, investment, redevelopment and refurbishment, and for both public and private purposes;
- Investment in real estate, investment planning and real estate investment vehicles;
- Real estate finance, development finance, land use feasibility planning;
- Real estate economics, markets and market analysis;
- Management of all kinds of real estate at all levels;
- Asset management for corporate private and public sectors;
- Management of the use of buildings to ensure optimum benefits to occupiers.

3. Mission Statement

The mission of Commission 9 is:

- To advance the professional practice of valuers and property managers working in all areas of real estate valuation and management;
- To research and publish “best practice” for the benefit of valuers and property managers in different jurisdictions and sectors of the industry. This will benefit of the surveying community and improve our services to the wider public;
- To facilitate and generate the exchange of information, knowledge and experience between surveyors for the benefit of the profession, our clients and the wider public;
- To publicise and promote the work of surveyors to the public, particularly to young people, governments and non-government organisations and to enhance the value and perception of the value of surveyors and the services they can deliver, especially in support of the global sustainability agenda and the Millennium Development Goals;
- To co-operate and work with fellow surveyors in all specializations of the profession to further the broader objectives of FIG.

4. General

This work plan focuses on three highly relevant themes, Property Taxation, Real Estate Market Policy Frameworks, and Valuation Methods and Standards.

Following on the successful previous four years of study, Commission 9’s Working Group 9.2 focuses on the efficient use of mass appraisal valuations. This continues to addresses international and pressing need in the use of property taxes for the benefit of local communities and demonstrates an important opportunity for FIG to continue to use the international experiences of its members to contribute to and inform the global debate on property taxation.

Working Group 9.1 will expand the debate surrounding the United Nations published the *Policy Framework for Sustainable Real Estate Markets* booklet. The aim of Working Group 9.1 is to discuss, analyse and expand upon the 10 principles within this text, to allow for greater understanding and applicability in their implementation. This should benefit all interested actors, government organizations, and non-government organizations.

Round Table Discussions 9.3 will identify the commonly used standards in different markets and study the valuation methodologies adopted. Local actors will share and discuss templates and techniques used so that the industry can broaden its base of knowledge, enhancing the ability of practitioners to support their local economies and professional organizations.

All of the Working Groups and Round Tables have the goal of expanding the knowledge bases and skill sets of our professional organizations, their individual members, national governments, non-government and international aid organizations, and by extension the global economy.

5. Working Groups

Working Group 9.1 – Expanded Policy Framework for Sustainable Real Estate Markets

Policy issues

In 2010, the United Nations published the *Policy Framework for Sustainable Real Estate Markets* booklet. This document provides a short discussion of 10 Principles and related guidance for the development of a country's real estate sector. The aim of Working Group 9.1 is to discuss, analyse and expand upon these 10 principles, to allow for greater understanding and applicability in their implementation. In effect, this Working Group will broaden the discussion surrounding the individual 10 principles to include more specific details, as well as outline possible economic and social impacts. This should benefit all interested actors, government organizations, and non-government organizations as it relates to regulating, improving or developing a sustainable national real estate market.

An efficient, transparent, inclusive, just and economically integrated private real estate market is typically the second largest value sector in a nation (after human capital). If it is well functioning, the real estate sector is a core economic engine enhancing the efficient use of other capital and the labour markets. If it is poorly functioning, this creates drag on the growth of an economy and weakens the ability of the labour markets to produce to full potential.

The recent global economic crisis has shown that weak financial and real estate regulatory frameworks surrounding the real estate markets exacerbated the problems and contributed to a longer and more costly recovery process. This expanded analysis of the *Policy Framework for Sustainable Real Estate Markets* is intended to provide more detailed guidance, promoting sound real estate markets both inside and outside the UNECE region.

A more detailed discussion of the *10 Principles* and their role in an efficient, transparent, inclusive, just and economically integrated private real estate market can help the primary actors to more appropriately regulate their real property. This can accelerate the economic recovery, promote long-term sustainable development, create enhanced productivity of labour and other capital, lower risk levels, and enhance international stability.

Chair:

Steven Nystrom, USA, e-mail: nystrom@newstreamcompanies.com

Co-Chair

Not yet identified.

Workshops/Seminars:

- To be decided.

Publications:

- An FIG Companion Book to enhance the understanding of the broader issues surrounding the *10 Principles* as discussed in the 2010 United Nations *Policy Framework for Sustainable Real Estate Markets* booklet.

Timetable:

- 2015 Outline Discussion topics
- 2016 Roundtable discussions regarding Principles 1 to 5
 - Integrated Legal Framework
 - Efficient Land Register and Cadastre
 - Efficiency of Services
 - Prerequisites for Development of Sound Real Estate Markets
 - Good Governance
- 2017 Roundtable discussions regarding Principles 6 to 10
 - Sustainable Financing
 - Transparency and Advanced Financial Products
 - Property Valuation
 - Social Housing
 - Training and Capacity-Building
- 2018 Presentation of the Companion Book to the FIG and submission to the UN for further comment and study.

Beneficiaries:

- Beneficiaries of this research will be central and local governments in established and emerging economies, the public at large, real estate investors, nongovernmental organizations, financial institutions and development banks. All FIG member organisations, UN and other professional international and national organisations, and agencies will also benefit.

Working Group 9.2 – Mass Appraisal Systems

Policy issues:

- Property taxation recognises the social and economic value of real estate and provides revenue which (normally) funds public services, for the benefits of the wider community. Valuers contribute to an efficient, effective and socially acceptable property tax in their role as assessors of the tax base. Technical valuation skills support appropriate methodologies, in particular, the use of Computer Assisted Mass Appraisal (CAMA) techniques, as well as ensuring improved access for the public to relevant information, advice and data.

- However, the use of mass appraisals involves a degree of technical skill and knowledge which is beyond the understanding of the average taxpayer and which may involve a trade-off between efficiency and ‘justice’. This therefore imposes an additional responsibility on the valuation profession to ensure that the highest degrees of equity and ‘fairness’ are achieved within the limitations of the technology, and that acceptable levels of explanation and reassurance are available to all parties, particularly taxpayers.
- This working group will investigate and publish appropriate guidelines for the development of mass appraisal techniques to support property tax assessments, including the appropriateness original data sources (property characteristics, sales, rents, yields, costs asking prices, or valuations) and of indices to monitor the property market, which will be particularly useful during the current economic climate.
- Case studies will be explored showing where and when implementation was and was not successful so that key elements for a successful system can be identified.

Chair

Varnavas Pashoulis, Cyprus, e-mail: var@cytanet.com.cy

Co-Chair:

Not yet identified

Workshops/Seminars:

- Not yet discussed.

Publications:

- FIG reports, focusing on guidelines as to how best to develop, manage and implement mass appraisal techniques. Case studies will be used as explanatory examples.

Timetable:

- Not yet discussed.

Beneficiaries:

Increasingly, property tax systems around the world are developing, implementing, and refining mass appraisal techniques to support tax assessments with the overall scope to generate public income to provide public services for the benefit of the community. By doing this, there is a multi benefit effect, due to the fact that these assessments can also be used as the basis to support single property valuations by private or public bodies for advisory purposes, for Capital Gains Tax Assessments, for Transfer Fee assessment, for compulsory purchase purposes, as well as to publish property indices in order for the property market to be more transparent and efficient. . Thus, the outcome of this working group will support such initiatives as well as providing local authorities/municipalities, valuation standards organisations and those international organisations with an interest in securing equitable, effective and efficient public services for increasingly sustainable communities. While focusing on the needs of property taxation, this investigation into mass appraisal techniques will also benefit mortgage lenders who use such techniques in their assessment of loans and in monitoring the fluctuations of the property values and where appropriate to take precautionary measures either at booming or recessionary times. Also benefiting will be FIG member organisations, UN and other professional international and national organisations, agencies and governments and local authorities.

Round Table 9.3 – Valuation Methods and Standards Worldwide

Policy issues:

- Valuers contribute to an efficient, effective, transparent and healthy national economy in their risk analysis role in the real estate industry. Various countries and organizations educate their valuers differently, and regulations for analysis vary across national and financial boundaries. Differing scale of properties as well as differing property types such as retail, office, hospitality, multi-family, industrial, vacant and residential require very different analysis techniques. As such, there are a very wide range of techniques and expected norms around the world for the analysis of any specific property type.
- There is an abundance of valuation report templates and techniques for the analysis of differing property types. Some are more accurate or efficient than others. However, few valuation professionals have access to more than a handful of these templates, limiting their ability to creatively address a specific appraisal problem. This limits the ability of the industry to improve and weakens the reliability of appraisal results used to make financial decisions. As such, the national economy and the real estate industry are weaker for the lack of broad template and technique sharing.
- These roundtable discussions will bring together real estate professionals (valuers, managers, brokers, state and private ownership organizations) to share templates and techniques used to value and analyse specific property types.

Specific projects

- Identify the commonly used standards in different markets and study the valuation methodologies adopted. Gather local actors to share and discuss templates and techniques.
- Present and discuss the findings at FIG Working Weeks and Congress with information posted on the web-site for member and public reference.

Chair:

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Co-Chair

Not yet identified.

Workshops/Seminars:

- To be planned for each annual meeting.

Publications:

- Technical papers presented in annual meetings.
- Report on results of work group investigations and reports at Congress 2018.

Timetable

- 2015–17: research papers for Technical Sessions.
- 2018: Final Report at FIG Congress.

Beneficiaries

- All FIG member organizations, UN, other professional international and national organizations, agencies and governments.

6. Co-operation with Other Commissions and organisations

Commission 9 will support and contribute to FIG task forces, and, in particular, to the Property Markets Task Force, the Young Surveyors Network, the United Nations organizations, UNECE, WPLA, REAG, FAO, UNHABITAT, GLTN, and the World Bank. It is envisaged that such international organisations will be particularly interested in the work of the Working Group 9.1 and 9.2. The possibility of joint events will be investigated.

7. Co-operation with United Nation Organisations, Sister Associations and other Partners

Commission 9 is co-operating with FAO, UNECE, GLTN and UN-HABITAT on Commission 9 related issues.

Commission 9 will investigate co-operation opportunities with a range of relevant international organisation, including the Internal Property Taxation Institute (IPTI), International Association of Assessing Officers (IAAO) and the Lincoln Institute of Land Policy.

8. Commission Officers

Chair

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