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## Views on the needs to develop the authorization and supervision activities of real estate valuers

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## Background

- In Finland, real estate valuation is a free profession
- The Finnish Association for Real Estate Valuation (SKAY) was founded 1979
  - It made ethical rules for valuers, wrote valuation guidelines, and gave education
- In late 1980'ies the real estate market was booming and values doubled
  - E.g., the National Bureau of Investigation asked to create an authorization for RE valuers because a lot of frauds in real estate market
- In 1995 the authorization system was founded by three RE associations, and in 2004 it was moved under the Finnish Chamber of Commerce
  - Now it's partly a self-regularity system (AKA) and partly statutory system (KHK)  
managed by the same organization

## Introduction

- After 25 years of authorization, it's time to look at how the set goals of authorization have been achieved in Finland and partly also internationally, and what kind of development measures valuers, valuation clients and authorities now consider necessary
- For that purpose, we made an extensive survey to all authorized property valuers in Finland and launched five master's theses to deepen some found aspects
- In this presentation I will discuss the development and development needs of real estate valuation activities, authorization and valuation standards based on the preliminary views produced by the survey and by those on-going theses

## The survey

- The survey (ca. 67 questions) was sent to all authorized property valuers in Autumn 2021
- 104 responses were received, i.e. the response rate was 41.6%
- The valuers were very satisfied with the present situation in almost all topics concerning the AKA property valuations

**Table 1.** Current problems with AKA property valuation

Factor	Significance of the problems (%)				
	High	Major	Small	No problems	Total
Availability of transaction information	16	28	28	28	100
Textbooks and manuals	5	20	45	30	100
Valuation standards	1	10	41	48	100
Training	2	7	34	57	100
AKA guidelines	3	5	28	64	100
Independence of the reference material	0	6	28	66	100
Independence of valuers	1	5	27	67	100
Connections between property and business valuation	0	6	26	68	100
Publicity of valuation reports	1	4	26	69	100
Legislation	0	3	23	74	100
Authorization requirements	1	3	21	75	100
Association activities and lobbying	0	2	21	77	100
Opportunities to appeal	0	2	10	88	100
Activities of the AKA Board	1	1	10	88	100
Supervision	2	2	7	89	100

## Development needs of AKA property valuation system

- Half of the valuers did not see any development needs
- 1/3 saw needs to develop Finnish AKA guidelines or Finnish legislation
  - E.g., more detailed and stricter guidance or adding requirements for obligatory use of AKA valuations
- 1/10 saw needs in developing international valuation standards or EU regulations
- In “other needs” (4%) was mentioned, e.g., prohibition of a regional not property specified valuation, i.e., value maps

## Development needs of AKA property valuation system (cont.)

- Some additional aspects were mentioned on the open questions, e.g.
  - Improving transparency and the availability of all price information was supported almost with one mind
  - The importance of sustainability and responsibility in the valuation should be "educated" and highlighted, as it's already now relevant
  - The authorization system was developed to ensure the reliability of market values and this basic purpose should not be forgotten

## Valuers seem to emphasize

- The need to improve the availability of price and other information needed
- Difficulty of standards
  - The terminology is challenging and translating together with international harmonization has made them complex, which easily leads to neglecting them
- More textbooks and/or manuals written in national languages to different levels
- More detailed instructions and models
- Expanding the use of authorized valuers in legislation
- More training suitable for different levels
- Rapid translation of the valuation standards

## Reflections and conclusions

- Preserving and nurturing independence is important and you have to stick to it!
- Appeals about valuations to the court may increase in the future
  - It would significantly increase the need for accurate reporting of the data, approaches and grounds for conclusions used at least in Finland
- In small countries there are hardly many writers for native language translations and books, because the work is practically free but quite difficult and takes a lot of time
- English textbooks – it's worth trying to learn to read and interpret them to suit country's own legislation and culture

## Data

- In order to make the valuations reliable, a lot of reliable data is needed
- A large part of the data must be local, but information is also needed on a global level
- Data economy is probably the main solution in valuation as well, but the ability to interpret and apply data to local conditions is also needed
  - E.g., climate conditions vary greatly in different parts of the world, which requires different solutions for the operation of real estate in different parts of the world
- Especially, individual valuers may face major problems in the use and management of information – larger international companies are likely to have better opportunities

## Ongoing theses

1. Supervision of authorized valuers
  - How are the ambiguities of the standards interpreted and by whom?
2. Development needs of the current valuers' authorization system – point of views of valuers and clients
3. Development needs of the current valuers' authorization system - point of view of larger professional clients
4. Independence and disqualification of a valuer
5. Valuation data and its independence

- If you are interested in participating in thesis surveys or interviews, please contact me
- Perhaps FIG Com 9 could also have opportunities to take a bigger role in the development of valuation activities

Thank you!

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