

International Organizations in Real Estate Valuation Environment and Their Relations with FIG

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SUMMARY

The paper discusses prerequisites of creation of organisations gathering experts dealing with real estates values. According to the authors, opinion, the roots of the profession of real estate valuers are surveyors and economists.

Presenting the list of existing organisations of real estate valuers and lists of topics, being the matter of interests of those organisations, the authors stress the needs for creation of the common representation of those organisations.

The profession of property valuers, which is known under various names in various countries, which do not always originate from the English names concerning valuation of real estates, has its beginnings in measurements of surface objects, i.e. in surveying.

At the beginning, the aim was to measure and calculate the size of some features, which characterised those values: their rural or forest productivity, and then other values, being the bases for calculation of fees, taxes and other types of relations. Those measurements were preceded with identification of location and analysis of legal issues and were completed with calculation of basis for taxation or fiscal dues.

Therefore, it was the measurement of real estates in a broad sense, which resulted in, among others, getting their “fiscal values” or values related to calculation of the tax level. Then, that “fiscal value” of a real estate was used as the basis for determination of its market value – basing on the knowledge of its productivity and related fiscal charges; thus the “position” of a real estate on the real estate market could be calculated.

Mainly as a result of economic development and its practical aspects – economics – another way useful in the process of specification of real estate values was developed, basing on the capital value, which might be generated by the given real estate. This was mainly caused by the needs of banks and other financial, crediting institutions. Thus the way of development and utilisation of a real estate value may be briefly described. This, in turn, caused the generation of at least two ways and rules of operations and forming organisations of experts dealing with the real estate value: one way originating from surveying and the other one – based on economic foundations of determination of real estate values.

Determination of a real estate value is the growing demand in the world economy, as well as in economy of particular countries. Following the demands for information concerning location, delineation of borders, size, equipment with constructions, installations and possibilities to use the real estate according to planning decisions, and about the legal status of real estates, the real estate value is an attribute which is often missing. That attribute may be considered as an element of the cadastral content or an element of other registers, which describe the real estate; it is considered as a result and the subject of operations performed by surveyors or other experts, which are capable to recognise and evaluate the above features of the real estate. In case of that attribute, the composition of individuals who represent the above professions may be considered as competent and sufficient for determination of the real estate value. Criteria and rules of determination of the real estate value undergo the permanent development. Mainly, the market values are determined, and that term includes such modifications of those values, as the value for the current way of use, the value or the prices for the future sales or for the forced sales, the value for the optimum utilisation of a real estate, up to the value specified from the point of view of expectations of an individual investor, the value based on income generated by the real estate – after its capitalisation. As it has been mentioned that value has been theoretically classified into the category of a market value, however sometimes it is considered as non-market value; within this “border” area the restoring value occurs together with such non-market values as the useful value, the insurance value, the value applied in accounting processes, the fiscal value, the bank-and-mortgage value and many others.

This means that considerable widening of the composition of professions and scientific disciplines dealing with those issues is required; specialists in the field of bank-and-mortgage values, insurance values, values applied in accounting and in the fiscal systems may be included in that group.

The current status of organisation of specialists and institutions dealing with those issues looks this way; on one hand they are members of the FIG, and on the other – of TEGOVA and WAVO, as well as of other organisations; this division, however, is not completely “pure”, since individuals and organisations operating in both organisational configurations also exist.

The example of such a particular way of development is RICS – the Royal Institution of Chartered Surveyors; its name and way of development point to its surveying roots. Due to its particularity, we will briefly present this organisation.

In the United Kingdom everyone may call him/herself “the expert” and offer services to the public, but only the membership in this professional organisation is the guarantee of the high level of services. Due to this situation almost all organisations or individuals searching for advice concerning a real estate value, apply to the RICS member.

RICS was established in 1868 and in 1881 it was approved by the King’s Decree. This obliges the Institute to take care of the progress in the fields related to physical management through meeting the following duties:

- Ensure professionalism of its members,
- Trace the demands for experts and care for training programmes aiming at education of the appropriate number of experts with the satisfactory level of skills,
- Ensure training programmes, supervised professional practices before gaining the complete professional qualifications,
- Assign professional qualifications,
- Specify curricula of post-graduate studies,
- Specify rules of operations and supervision of observing those rules,
- Maintain co-operation with corresponding professional associations in other countries.

These rules are included in the Red Book published by RICS in co-operation with other British institutes and called: “The RICS Appraisal and Valuation Manual”, commonly known as the “Red Book”. It is the official source for valuation practices concerning real estates, buildings and other constructions, as well as machinery and installations.

The basic objective of that manual is to support the real estate valuers in implementation of the following tasks:

- Accurate specification and understanding the customers’ demands,
- Promoting rational utilisation of foundations and assumptions, which are used for the needs of valuation,
- Selection of proper foundations for valuation, in order to meet the demands of contracting bodies,
- Promoting the uniform reports – valuation documentation.

Two terms, which are highly mutually related, are defined in that Book, i.e. valuation and appraisal.

Valuation is a written opinion concerning the price or capital value or price or the rent value. This term does not refer to the value forecasting, which is defined as the forecasting of the probable value or worth of a real estate on the specified day and in the future and called “the estimated price of sales” or “the estimated future rent value”.

Appraisal is a written proof of valuation combined with the professional opinion, advice and/or analysis concerning the usefulness and effectiveness of a given real estate for a

specified goal or forecasting results of implementation of specified conditions, resulting from the expert's valuation, preceded with appropriate investigations.

Due to the wide scope of tasks related to real estate management, RICS is divided into seven specialised sections; three of them employ real estate experts, real estate administrators and agents and quantity surveyors.

It is assumed that none of the RICS members may be specialised in all directions. That is why they belong to particular sections, according to their skills. The same idea may be applied to all individuals and professions operating in this field.

This paper is an attempt aiming at consideration of the necessity to search for possibilities of co-operation between mutually close, but different „teams”. At present it seems to be justified; although initial ways of creation of both groups were different and their presence is different, in fact they are mutually very close – they are a kind of the base of knowledge and experiences, which are combined with legal and spatial plots. The set of all, or of the majority of existing organisations, presented in Annex 1. Topics, being the matter of interest, as well as performed research works and reviews performed by those organisations, are presented in Annex 2. Topics specified in Annex 2 are the matter of interests of theoreticians and practitioners connected with the FIG and representing universities and other research institutions dealing with issues related to real estate issues. As it turns out from the content of both annexes, all, or the majority of organisations, deal with very similar research projects. However, the broadly understood real estate issues includes some fields, which are rapidly developing and this development requires, that many common assumptions and conditions have to be assumed.

The real estate value, its specification and utilisation is not an absolute, constant and unchangeable number, since it is, among others, influenced by time and temporal changes of market and non-market conditions. It also results from the knowledge, changing methodology, experiences, as well as from the valuer's intuition.

Therefore a common platform is required which could serve for communication between valuers and customers, as well as between organisations of valuers. Standards, which are also known as professional norms, can play – to a certain extent - a role of such common platform. In most cases they are of professional, and not of research-and scientific nature.

In the contemporary world, which is permanently changing towards the „market world”, when the value of capital depends on its correct specification, on records in documentation, in particular in accounting documentation, on its usefulness for banks and mortgages it is reasonable to introduce similar, unified procedures of determination of the real estate value.

Therefore it would be justified to create possibilities of communication between organisations, i.e. through creation of a body which could represent the entire, global society of real estate valuers. Possibly, as a result of operations performed by such a “body” an equivalent to the “Red Book” could be developed, which would be honoured both, by the RICS members, as well as by all real estate experts all over the world.

This is the proposal which we present for consideration by the Commission IX and experts of this Commission, as well as by the FIG authorities.

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Annex 1

Member of World Association of Valuers' Organizations

1. Australian Property Institute (API)
2. Appraisal Institute of Canada (AIC)
3. China Appraisal Society (CAS)
4. The Hong Kong Institute of Surveyors
5. Korea Appraisal Board
6. Singapore Institute of Surveyors and Valuers
7. Appraisal Institute (USA)
8. RICS (UK)

FIG Member Associations Connected with Valuation of Real Estate

- China Institute of Real Estate Appraisers and Agents
- Czech Association of Certified Property Appraisers
- Finnish Institute of Surveyors
- The Society of Chartered Surveyors (Ireland)
- Lithuanian Association of Property Valuers
- Singapore Institute Surveyors and Valuers
- The Royal Institution of Chartered Surveyors RICS (UK)
- The Appraisal Institute (USA)

TEGoVA Member's Organizations

- The Society of Real Estate Valuers (Albania)
- Austrian Institute of Property Valuation and Valuation Standards
- Association of The Bulgarian Appraisers
- Czech Chamber of Appraisers

- The Danish Association of Chartered Estate Agents
- Estonian Association of Appraisers
- Chamber of the Real Estate Valuers of France
- French Association of Property Valuation Companies
- French Institute of Real Estate Valuation
- Association of Publicly Certified and Qualified Experts (Germany)
- German Real Estate Professional Association
- Body of Sworn-in Valuers of Greece
- Hungarian Real Estate Association
- Irish Auctioneers and Valuers Institute
- The Society of Chartered Surveyors (Ireland)
- Assessment Surveyors Association (Italy)
- Italian Institute for Real Estate Valuation
- Chamber of Professional Appraiser of Kazakhstan
- Latvian Association of Property Appraisers
- Lithuanian Association of Property Valuers
- Dutch Association of Real Estate Brokers and Real Estate Expert
- Norwegian Surveyors and Valuers Association
- The Polish Federation of Valuers' Associations
- National Association of Romanian Valuers
- Russian Society of Appraisers
- Partnership of the Russian Society of Appraisers
- Russian Board of Appraisers
- Professional Association of Valuers Companies (Spain)
- General Council of Technical Architects of Spain
- Association of Real Estate Economics (Sweden)
- Swiss Chamber of Real Estate Appraisers
- Appraiser's Association of Turkey
- Institute of Revenues Rating and Valuation (UK)
- Central Association of Agricultural Valuers (UK)
- Royal Institution of Chartered Surveyors (UK)

Annex 2

Topics dealing with Valuation of Real Estate for Hong Kong FIG Working Week 2007

- Diagnostic Tools and Prescriptive Practices for the Valuation Profession
- Legal structures and practices in the valuation profession in different countries / markets
- Status of the valuation profession in different countries / markets
- Valuation methodologies adopted in different countries / markets
- Changing transaction practices in real estate markets
- Globalizing real estate markets
- Geostatistic in Real Estate Market Analyses and Valuation
- Effects and possibilities of digitalization for of the profession in real estate markets

- New ways to make real estate market analyses and valuations
- Outsourcing corporate properties and real estate services
- University education in Real Estate Economics and valuation

Selected Papers Dealing with Real Estate Valuation at Munich FIG Congress 2006

2. "Valuation Data in a Fully Open and Digital World"
3. "BORIS.NRW – The Information System on Standard Land in North Rhine – Westphalia"
4. "Valuations Involving Brownfield Sites – An Economic, Environmental and Social Issue"
5. "Valuation Guidance of Forest Properties within Valuation Standards Needed?"
6. "New Method to Value Forests in Land Consolidations"
7. "Development of Land Valuation System"
8. "The Impact of the Time Value of Money on Valuation Practice"
9. "Valuation as Guided by the Legislation in Zanzibar"
10. "Depreciated Replacement Cost – Consistent Methodology?"
11. "The Appraisal System of Property Qualities"
12. "Estimation of Parameters of Multiplicative Exponential Function Model for Real Estate Market Value Prediction"
13. "Application of Artificial Neural Networks for Real Estate Valuation"
14. "Evaluation of Properties in Poland"
15. "Measures of Land and Real Estate Values from Land Registration and valuation Systems in Emerging Economies: The Case of Ghana"
16. "Value Maps: The Next Utility?"
17. "Future of Land Value Maps in European Context"
18. "How to Evaluate Valuation Models?"