

# A Road Map for the Development of Valuation Infrastructure in Developing Countries

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## **Abstract**

Valuation is a tool for good governance and transparent business activities which will bring trusts among parties involved. It is crucial for the planning for national economic development as well. Therefore, the development and strong establishment of this profession is important. This paper reviews the views of world's experts involved in valuation profession and deliver some comments on the areas for the development of this profession. Infrastructure required includes the establishment of land titling system, national valuation council, property information system and formal education system. In addition, there should be some fruitful international cooperation, international learning as well as the education of valuation knowledge to the general public.

**Keywords:** valuation, road map, valuation infrastructure, developing countries

Valuation is a tool for good governance and transparent business activities which will bring trusts among parties involved. It is crucial for the planning for national economic development as well. Therefore, the development and strong establishment of this profession is important.

"...valuation is the heart of all economic activity. Everything we do as individuals or as groups of individuals in business or as members of society is influenced by the concept of value. A sound working knowledge of the principles and procedures of valuation is essential in all sorts of decisions relating to real estate buying, selling, financing, developing, managing, owning, leasing, trading, and in the ever-more-important matters involving income tax considerations. Sound valuation is basic to zoning, ad valorem taxation, city planning, and to effective management of urban affairs . . ."  
(Ring and Boykin, 1986: 1).

## **1. Background**

In the case of Thailand, valuation has been developed recently. In 1985, there has been a diploma course on valuation in a vocational training college. In 1986, the Valuers Association of Thailand was established. However, the development of valuation profession was slowly witnessed. After the 1997 economic and real estate crisis, in 1998, the Securities and Exchange Commission of Thailand (SEC) employed an international group of consultant to write a plan for the development of valuation profession in Thailand. At that time Pornchokchai (1998) also proposed possible measures to standardized valuation profession to the SEC as well. This is an effort to upgrade valuation profession in Thailand.

In many other developing countries valuation has not much developed compared with some former selected British colonies such as Hong Kong, Singapore and Malaysia. In Indo-china countries and most of the sub-continent countries do not have strong valuation profession. In other countries where the World Bank (2006) is trying to promote formal land titling system, the profession of valuation is still very young either.

In 2005, the Author was invited to a forum jointly organized by three valuation associations in Indonesia to speak about valuation of state properties. Recently, the Author was employed by the Ministry of Finance, the Government of Vietnam to prepare a Road Map for the Development of Valuation Profession in Vietnam. This implies that valuation in developing countries needs to be upgraded. And this is an starting point to write this article. The Author hopes that this article will help encourage people involved to help develop valuation profession in developing countries. Vietnam can be a good place to assist them.

## **2. Review of Views**

In late 2005, the Thai Appraisal Foundation (2006, 7-14) interviewed several international leaders in valuation professions on the Road Map for the Development of Valuation

Infrastructure in Developing Countries. The list of the leaders is available in Appendix I of this report.

## 2.1 Steps and Stages of the Development

The question is that in a developing country where valuation profession is still very young, what are the major steps and stages to develop this profession and the infrastructure?

**Mr. Anderson** points out that first is to develop standards, e.g., USPAP in the United States, or American Society of Appraisers Standards for Business Valuation. Second is to develop designations, and related educational programs and third is to develop self-regulatory mechanisms and sanctions for non-compliance

**Mr. Greenwood** suspects that the time frame for his answer is limiting. However, he would think the following basic requirements are critical. Firstly, an overwhelming professional will to achieve desirable standards of professional standards, conduct and ethics. The acknowledged experts should coalesce around the common good. Professionalism is about servicing the general public. Accordingly there should be some public purpose and input.

Secondly, financial resources – to fund those charged with putting together a strategy to meet the professional objectives. This is likely to be a full time job for someone. Third, a formalized structure to deal with elements of the strategy and fourth, maintenance of international affiliations to take advantage of a world body of knowledge.

**Prof. Ghyoot** has comments on five steps, namely, 1. develop standards for training and practice, 2. develop training programmes in line with standards, 3. develop teaching materials in line with practice, 4. enforce entrance examination and CPD, and 5. enforce code of conduct.

**Mr. Highfield** said from a Canadian context. The Appraisal Institute of Canada has been in place since 1938. It is a registered non-profit organization that is recognized due to the quality and experience of its membership rather than through licensing of the profession through the government. It presently has in the range of 5,000 members.

Based on its experience, there are a number of building blocks for a successful professional organization, namely,

1. Establish the initial membership by recruiting the recognized experts in the community
2. Establish uncompromising standards of education for future members
3. Develop a process for the uniform screening of applicants for membership to ensure they have requisite qualifications
4. Establish or adopt standards of conduct and competence for continued memberships
5. Develop a structure to enforce the standards
6. Develop a mandatory structure of continuous learning for members
7. Advocate the membership as a first tier profession that protects the public interest and is well rewarded for their effort

8. Create an organizational structure that is transparent, efficient, effective, and represents both the public's and the membership's interest

**Prof. Hyun** said that in general, the real estate market would be divided into three phases. 1st phase is related to general services to real estate including real estate brokerage services and lease service. 2nd phase is related to total real estate related service for clients and investors including consulting services. 3rd phase is related to the 2nd phase plus real estate securities issuance including real estate investment banking service and investment management service. Each phase needs appraisal professions in order to elevate the market as a whole. Appraisal field does not grow without any expansion of the entire real estate industry. Concerning some specific policy to develop valuation infrastructure in a developing country within a time frame of 3 to 5 years, open door policy to absorb the advanced techniques from the advanced countries via both academic and professional arenas should be required. For instance, academic exchange programs and professional association exchange programs should be implemented inter-continently.

**Mr. Lau.** This is a multi-facet question. In most countries where the profession is firmly established, the appropriate political/legal, social and economic/market environment are already there. For a development country, the first step could be the formation of a professional organization of appraisers/valuers with clear goals and objectives. The international community of valuers could assist and act as resources for the initial organization, training and accreditation of members. Secondly, in accordance with the local/national environment, it is important to set up the educational/accreditation model, the service delivery model and the governance. Thirdly, short, medium and long term strategies of communication to cultivate an understanding of the value and application of property valuation in the political, legal and the public arena is critical to the recognition and growth of the profession.

Finally interconnection with other related disciplines and real estate organizations is vital to mutual recognition and cooperation in working on complex valuation assignments where different expertise are required. As Rome was not built in a day, allowing an orderly growth of the organization and its acceptance by the society and various establishments would take time. Notwithstanding that many ground breaking work on the infrastructure can be done in a shorter time frame, a 5 -10 year development horizon would appear more realistic if a healthy, well structured organization that is attuned to the needs of the public it wishes to serve is desired.

**Prof. Liu** contributes mainly on the national association of valuation profession and government registration system

### **Synthesis:**

On the whole, the growth and development of valuation profession depends largely on the market needs of this profession. If the market of properties expand, this profession will be

developed to meet the need as well. The sound infrastructure of valuation profession involves the following factors:

1. Standards (examination / methodology of valuation / valuers / fee scale / report and the like)
2. Professional Controls / bodies (for valuers, companies and association as well as apparatus)
3. Education (both formal education, training, continuing professional development, research and publications with the cooperation with institutions worldwide.
4. Database and Information Centre.

## 2.2 The Most Suitable Professional Organization

What should be the most suitable form or organization to regulate valuation professionals? The following are views of international professionals.

**Mr. Anderson** pinpoints that The most suitable form is self-regulatory organizations like the CFA Institute and the American Society of Appraisers. **Mr. Greenwood** emphasized on a self-regulating professional body that administers its own professional standards that is of a high rather than minimum standard. **Prof. Ghyoot** says about the statutory registration administered by statutory body.

Considering **Mr. Highfield**, in the Canadian context we have found success in a membership funded, self regulated democratic organization. While the **salient factor** is protecting the public interest by ensuring the members are bound by the highest standards of conduct and competence, the promotion of these same qualities has served the self interests of the professional members.

**Prof. Hyun** says that There should be different organizations from three different arenas: business arena (i.e. appraisal association); academic arena (i.e. college & graduate school) and administrative arena (i.e. ministry of construction / real estate) to oversight valuation professionals. These organizations should work together closely in order to maintain “checks and balance” providing transparency and accountability. Also, these organizations from three different arenas should do so for real estate professionals as a whole.

In the case of **Mr. Lau.**, As a profession that has been given due (growing) recognition in Canada, He believes self-regulation is more preferable. But it requires a well organized body, good governance, strong commitments from all its members to abide by the rules of self-regulation and the building of a history of service delivery that is worthy of public trust. This issue may elicit many debates and views. One must consider all the social, political and economic environment and develop a long term strategy to achieve self-regulation.

**Mr. Trout** sees that it is probably more reasonable to have the profession regulate itself through a system of well structured standards of practice and ethical behavior. This can be accomplished by establishing a professional association that not only promulgates the standards but also serves as an enforcing body to regulate the adherence to them. This

body could also report to the governing body on a periodic basis the actions they might have taken since their last report.

### **Synthesis:**

There are some differences. For developed countries where valuation profession has firmly been developed, a system of self-regulatory organization is proposed. However, in developing countries and the situation might be different. This can be observed in South Africa as well as Korea. Therefore, in the case of developing countries, the government needs to step in for controlling, guiding, monitoring, facilitating and eventually enabling the profession and its professionals to develop.

### **2.3 The Role of the Government**

What should be the delineation of the roles of government regulatory organization, professional association (self-regulatory?),

**Mr. Anderson** views that Government regulation, including licensing, should be required only in certain situations, e.g., licensing should be a requirement for real estate appraisals where government subsidies, loans or guarantees are involved. Otherwise, self-regulation through professional associations is the preferred method; whereas, **Mr. Greenwood** emphasizes the Minimum government interference and maximum professional control of standards.

In the case of **Prof. Ghyoot**, regulatory body should enforce entrance examination, registration, code of conduct, cpd. professional body should represent members' interests, train members, uplift the profession, act as a watchdog for the industry, comment on statutory policy, keep members informed, help members to network.

**Mr. Highfield** elaborates that regulated professions and self-regulating professions have the same goal, i.e. to protect the public from professional misconduct and/or incompetence. However, the models of regulation are different. In the case of a regulated profession, the government undertakes the task of deciding who is qualified to practice in what areas. It sets the standards of conduct and competence that governs those permitted to practice in these areas and it enforces these standards, and generally governs the affairs of the profession. Government closely oversees the profession and government officials must review and approve any plans before they are implemented.

In the case of a self-regulating profession, it is the profession, through its governing body, that decides who is qualified to practice in what areas. It is the profession that sets the standards of conduct and competence that governs its members and it is the profession that enforces these standards and generally governs the affairs of the profession. The Legislature has entrusted the regulation of these professions entirely to the professions themselves.

**Prof. Hyun** shares his idea that a country in developing phase still needs some infrastructure development by the regulatory agency. However, country in transition from developing to developed country should mitigate the excessive roles of government and regulatory agency which decelerates market driven real estate economy and industry.

**Mr. Lau** gives the experience of Canadian public sector that government regulatory organization generally deals with the licensing of the operation as an operator within an industry. For example as an business supplier of a professional service, the regulatory body typically would set out the boundaries of services within which the business can legally operate and rules that protects the collective or individual good of the recipient public. On the other hand, the professional organization, by way of its professional standards and bylaws govern the way how its members must deliver its services competently and with integrity. Violation of these accepted standards may entails censure and/or removal of the right to use the professional designa-tion. For a self-regulatory profession, the image and the substance of competence and discipline are essential to maintain the consumer's confidence in the profession and services.; where as, **Prof. Liu** from China emphasizes the importance of government: Regulation, registration; professional association: examination, standards, CPD.

#### **Synthesis:**

All the answers agree on some basic same understanding that the public sector (related government authori-ties) should be doing screening and examination, standards and protect the public; whereas, associations and private initiatives should put their roles mainly on professional development. This would help develop the profession at large.

## **2.4 Suitable Legislations and Regulations**

What legislation, regulations and guidelines should be developed for a sound valuation infrastructure?

**Mr. Anderson** ascertains that the U.S. model of mixed private / public regulation should be used. **Mr. Greenwood** comments that at a maximum, ther should be enabling legislation to grant a Charter following reviewed by the government. Considering the view of **Prof. Ghyoot**, legislation should cover registration of valuers/appraisers and the reservation of specialist valuation work for registered valuers. Such work includes company asset valuations, deceased estate asset valuations, expropriation and other value-critical work. Regulations should cover training, entrance examinations, registration and the code of conduct. Guidelines should embrace those by the IVSC and accredit the training by institutions of all types.

**Mr. Highfield** says that under the Canada Corporations Act any group that wishes to form a voluntary association to promote any lawful cause or purpose, the advancement of a particular occupation or profession may do so. It is understood, that the primary reason for incorporations is to promote private interests, not public ones. For example, the Canada Corporations Act allows an occupational or professional association incorporated in

accordance with its requirements to: register a suitable title to identify its members; and apply to the courts for a injunction if this title is used by a non-member.

To obtain these rights, members of these voluntary occupational or professional associations must pass bylaws setting standards of conduct and competence to which they agree to adhere. These bylaws establish what are essentially limited “private law” obligations, which enable the association to protect its own interests and the interests of its members. Specifically, when a voluntary association “enforces” its bylaws, it is not exercising “public law” powers of enforcement.

**Prof. Hyun** thinks that the answer depends on a certain country. For instance, in Korea, Association of Korea Appraisal Property Appraisers was established in 1989 in accordance with "Public Notice of Values and Appraisal of Lands, etc, Act", for the purpose of contributing to the national economy by accurate appraising economic value of lands, assets etc. For instance, the following guidelines were implemented: "Land Valuer system" was introduced on December 1972. "Certified Public Appraiser system" was introduced on December 1973. "Assoc-iation of Certified Public Appraisers" was established on April 1976.

But in the case of **Mr. Lau**, he would defer the finer details on the appropriate legislation, regulations and guidelines to other experts. **Prof. Liu** would emphasize on the area of professional qualification examination, registration, standards, etc

The president of IAAO, **Mr. Trout** understands that the governing body needs to establish the basis for the taxation property, real and personal. As part of the legislation, the valuation basis to which the tax rate is applied has to be set out, whether it is market value, construction cost, size, etc, assessment cycles need to be set (annual, biennial or whatever the governing body decides).

### **Synthesis:**

Related legislation, regulations and guidelines are all involved with the existence and development of valuation profession. First, we need to establish a sound environment for the profession, second is to establish and standardize the profession. Third is the mechanics or tools to develop the profession in terms of education and controls.

## **2.5 Valuation Education Matters**

How to establish a valuation education in developing countries (model 1 by professional organizations like in the US, model 2 by universities like in UK, or else).

**Mr. Anderson** recommends the U.S. model, in which professional organizations provide the valuation education. The universities will follow the professional organizations. The latter are more know-ledgeable as to which courses and sub-jects are the most relevant, because they are closer to the professional practice. Meanwhile, **Mr. Greenwood** emphasizes that

professionals need to be able to think for themselves in a rapidly changing world. he would suggest university should be the primary route to professional qualification, i.e. Model 2).

**Prof. Ghyoot** thinks that a statutory body should set outcomes of training and CPD and accredits institutions of any type. The statutory body should also verify that training by international bodies achieves the outcomes it has set. International bodies may have impressive training, but outcomes may not match that required for Thailand.

Regarding Canadian experience, **Mr. Highfield** shares that the education model in Canada changed in 1998. For 60 years we had developed and delivered their own education with some success. In the 1990's it was concluded that the professionals would gain better recognition and higher educational standards if their programs were developed and delivered by educational professionals.

Since 1998 all materials have been upgraded, developed and delivered by a single university (University of British Columbia). All of their courses are at a university credit level and are delivered both in classrooms and by distance learning. An undergraduate degree is a required foundation for the education program. The principles that can be applied to professionals' learning needs are the:

1. Content must be recognized by and meet the needs of the market
2. Content must respond to the priorities and the standards established by the professional body
3. Product and delivery must be credible to all parties
4. Education must be portable. It is generally accepted that first tier professional bodies do not deliver education but set standards of practice, admission requirements, and professional examinations.

**Prof. Hyun from Korea** sees that there are many university and graduate school level valuation education in the States and the UK. Each college or graduate school should have its own unique characteristic in terms of education. There should not be any specific answer for which education system is better than others. The difference makes the "value." Therefore, each school should pursue its own uniqueness to differentiate from other schools. Valuation education program is a part of the entire real estate education. Real estate professions have been diversified, so have real estate education programs. It is important and necessary to understand what is "demanded" in the market. Professional education programs should meet the demand in the market as well.

Considering **Mr. Lau**, it takes time, efforts and the right environment to develop, build and nurture an appropriate education model for any country. Both United States and UK have had a long history of strong support from academia. The interplay of academics and practicing professionals appears so seamless that both sides benefit from the relationship and help to advance the knowledge base and best practice of various valuation expertise. In Canada, we began with the US model where the Appraisal Institute of Canada (AIC) provided the necessary training courses before accreditation.

In the recent years it has successfully utilized universities to educate the upcoming generation of appraisers in degree program or providing a significant portion of the study modules. In addition, accreditation as AACI requires a university degree. This is a very meaningful development, the better the educational background of the members and the more vigorous training required will bring forth a new generation of valuers that are theoretically sound and practically capable to tackle the many complex valuation issues in an increasing sophisticated market.

However, the approach to be adapted in a developing country is very much dependent on the degree of maturity of the profession and the environment (resource availability, recognition by authorities and the public, linkage with universities or academic institutions). It would be useful to start with a small but firm platform where the international community and experienced nationals can share their knowledge and experience and help members of less established organizations to achieve appropriate those learned skills and understandings to apply to local valuation problems. There may not be a readily made training template but a hybrid model can be developed and modified over time to suit.

**Prof. Liu** thinks that the mixed model of 1 and 2 depending on the situation of course development at Universities should be done. Whereas, for **Mr. Trout**, once the legal mechanisms are in place the process of assembling a work force must be in place. It is necessary to train those involved in the valuation professions both in the classroom and in the field gaining practical experience. There should also be a continuing education program that leads the appraisal staff into a deeper understanding of the valuation profession as well as provide continuing review of best assessment practices. The education could be developed by government, private contractors or, more easily, utilized current course offerings of the various assessment/appraisal organizations and get assistance in adapting them to the country's needs.

### **Synthesis:**

The US is more liberal so they develop the knowledge through the association. However, the UK is more traditional; therefore, its education is based on the formal education. Since developing countries have not had any rigid form of education in valuation and since associations have not yet been really existed, it is a sound alternative to follow the UK formal education. Last but not least, in long run, valuers need to hold at least a bachelor degree so that they can be more mature in dealing with problems in valuation.

## **2.6 The CPD Program**

The question is “Your suggestion on annual CPD (continuing professional development) programs: what are suitable subjects?, how many hours needed? Who will be responsible for the costs?”

**Mr. Anderson** recommends that you use the ASA (American Society of Appraisers) model regarding suitable subjects and hours. The individual (or his employer) should be

responsible for the costs. Courses and fields of study should be at the discretion of the individual, but that choice should be subject to the approval of the "Re-accreditation Coordinator" for each appraisal discipline.

**Mr. Greenwood** views that CPD should be about quality and not quantity. Programs should be a mix of specific and general, e.g. valuation methodology versus political economy; whereas, **Prof. Ghyoot** thinks a statutory body decides on subjects that meet outcomes and accredits training institutions. Twenty hours per year is required and registered person pays for training and administration of CPD.

**Mr. Highfield** considers the Continuing Professional Development program of the Appraisal Institute of Canada to be vital to the success of its profession. At this point only a Professional Standards Seminar (14 hours) is mandatory content every five years. He requires a minimum of 12 hours of directed learning per year. The subject matter suggested to members is based on market needs that are not met by formal education requirements. They are often competence driven. The costs of CPD program are the responsibility of the member.

**Prof. Hyun** extends his idea that It depends on the market situation and job market in developing countries. Professional education, especially continuing professional development programs, should meet the demand in the market. Let us take a moment to take a look at the Korean real estate market, because of the variety of services provided in the Korean real estate market, the demand for those working in the market is also diversified e.g. Investment banking, fund management, asset management, property management and asset operation firms, etc. Also, the demand in real estate licenses such as CCIM (CCIM Institute), CPM (Institute of Real Estate Management) and CIPS (National Association of Realtors) has been increasing nationwide.

Concerning the educational expense issue, a situation of each student is different from one another. There should not be a definite answer. However, he says, preferably, that companies should support their employees' educational expenses and also professional educational suppliers should create affordable education programs so that students wishing to have the higher and professional education can pursue their own professions. By so doing, the real estate industry as a whole will benefit and grow ultimately.

#### **Mr. Lau**

Annual CPD is a good approach to keep valuers current with the market and be abreast of the latest developments in best practices. AIC has a mandatory re-certification requirement for all accredited members over a five-year cycle. The number of hours required may varied. Different countries can tailor the optimum programs based on the consensus of the membership and the market environment they are in. The subject matters are quite open.

They may include insightful refresher courses on the three approaches, valuation of special properties, mass valuation techniques, application of GIS, issues of valuation contaminated properties, effective and efficient practices in a technological society, Valuation for purpose driven objectives (taxation, Assessment, land claim, asset management, expropriation etc.). How to track real estate market performance /trends and relate to business cycle, market analysis, business valuation, legal issues in valuation.

It is important that as a seasoned professional, the CPD should allow us to be: always sound in the fundamentals, conversant with latest best practices in whatever specialty we are in, attuned with the various drivers of the real estate market and remained connected to colleagues of related disciplines.

Cost can be a concern if the requirement is overtly demanding. Whether in private practice or in public services, certain amount of resources must be set aside annually to continuing education. There is no hard and fast rule as to who should be paying for the skills and knowledge upgrade. Personally, he believe certain amount of personal ownership and layout (time and or money) for the CPD is worthwhile.

For **Prof. Liu**, new Regulations and standards, sophisticated valuation case studies, new development on topics on real estate and property, 16hrs, trainees should pay for the fee.

### **Synthesis:**

The opinions on the CPD are similar. The wealth of the opinions are the suggestion of subjects to be addressed in this CPD program. It is an immediate need to set a rule to have CPD frequently. Then, there is a need to keep the study more intensively. Another worthwhile opinion from Mr. Greenwood of the World Valuation Congress is that we need to emphasize the quality not the quantity of the CPD. This is because in these developed countries, it is often seen that participants of CPD are conventionally going for annual reunion like activities with no certain depth in the knowledge.

## **2.7 Database for Valuation**

A simple question to the experts is that Considering database for valuation, how to develop it?

**Mr. Anderson** clarifies that for-profit providers will fill this need. Moreover, appraisers often exchange transaction information for a fee, or as a professional courtesy; whereas, **Mr. Greenwood** considers that in the absence of an efficient land title system and a mandatory reporting system, it will be very difficult to maintain any data bank of transaction information. Even in countries with well developed title systems, professionals still, acquire and trade information with their own sources. Non-securitized real estate markets will always be inefficient.

**Prof. Ghyoot** suggests that if Deeds Office does not keep records, private cooperative networks such as MLS could pool sales data centrally and make it available to their

members. At the same time, **Mr. Highfield** uses the Canadian experience to say that in Canada, real estate transactions are public information. We are not, as yet, involved in data collection and data maintenance as an organization. The data relied on by the members must be current and must be vetted by a professional appraiser.

**Prof. Hyun** also recommends that standard approaches to measurement of both income and capital value are required to make the sophisticated system successful. One of the jobs in developing country will be to assess whether capital values are being produced on a regular basis for portfolios, and whether they are being produced on a standardized basis. It has been a great challenge to get successful system going in developing countries. While the real estates investment market grows significantly for a certain period, there is no established performance measurement; information about portfolio movements is kept very secretive; and there are dominant owners who own a high proportion of the real estate in particular parts of the market.

**Mr. Lau** mentions that one may need to clear define the type of data we want to keep and maintained and the objective of setting up such database. While technology would allow us communicate easily and virtual storage is achievable. The issue of cost, copy right and legal constraints on privacy in many jurisdictions need to be examined carefully to ascertain the feasibility of such undertaking, particularly on national or international perspective. With many social, legal and legislative constraints in place, data collection and verification are time consuming and are becoming increasingly difficult. As part of the market economy, experts in those areas may wish to share the mechanics and opportunities in such endeavor in different countries. Governmental and public attitudes may require adjustments as well.

Developing a detail and massive database probably needs further discussions. Individual national valuation institutes and foundation may compile and regularly update sources reference directories for various subspecialties for all those who may need technical and practice information in their interested fields. As we all grapple with various complex and intriguing issues in valuation, sharing of best practices, academic rendering of theoretical matters and experience are critical to their advancement of the profession.

**Mr. Trout** ascertains that the process of implementing mass appraisal systems would be best undertaken by utilizing the skills of those who have experience in the development of assessment programs. In most cases this would be a private contractor or consultant. Setting up the valuation models will be a relatively easy task for those who have the needed experience.

However, the process of data collection and entry is, obviously, the key to the success of any system. So, after a trained work force has been successfully established, the next step would be to have them gather the pertinent property characteristic data that will adequately identify each parcel and provide sufficient information to generate a reliable estimate of value. Once this information is input into the chosen valuation model the process of valuation is then carried out.

**Synthesis:**

It is common to learn the following:

- Need an infrastructure to develop it firmly.
- Data on property transactions and others must be disclosed
- Standard format of data collection and maintenance
- Uses for all (not only for valuation but other city's businesses or activities)
- Make it publicly accessed
- Not free but on commercial basis for the well-maintained value of data
- Develop it further with GIS (Geographical information system) and CAMA (computer-assisted mass appraisal) or AVM (Annotated Valuation Method / Model)

**3. Areas of the Development**

The development of valuation professionals in developing countries will be centred on valuation standards, professional controls and viable bodies, education for valuers, database / information centre, and public education.

**3.1 Standards of Practices**

Considering the **examination of certified valuers**, Valuers should be graded into three levels, associate valuer, general valuer and key valuer. For associate and general valuers, there should be limits on the value, size and/or types of properties that they can value. There should be more regular examinations organized, i.e. every quarter. In addition, the fee for the examination should be kept low because this is to strengthen profession for the benefit of the economy at large.

Considering **valuation methodologies**, a clear standard manual on how to appraise different types of properties should be developed. It can be adjusted from world's leading institutions such as the Appraisal Foundation of USA or RICS. In practice, valuation methodologies must be shown with clear explanation to clients in order to make the report more transparent and objective.

Considering the **controlling over valuers**, the number of three certified valuers per valuation organizations can be reconsidered particular when they can be graded and separated in different fields (Article 16, Price Ordinance, amended). There should be minimum standard fee scales for first valuation as well as for re-valuation assignments.

Considering **valuation reports**, a conventional formats of standard valuation reports should be constructed and applied nationwide. Standard property data entry should be constructed for the same format nationwide as well. This will ease the data entry process and data can be retrieved easily.

Considering **the enforcement of standards**, there should be inspection on the enforcement of standards by visiting and observing the work of valuation organizations, performance and ethics of valuers by random. This means that a team is to set up to

explore the performance of valuers. There should also be regular updates and amendments of standards to meet the demand changed over time.

### **3.2 Professional Controls**

In general, there should be measures to help prevent corruption by valuers and/or companies such as paying fine 20 - 50 times of the fee charged. Likewise, there should be a certain amount of Indemnity insurance / risk premium (funds), e.g. 5% of the fee of each assignment. This will help prevent corruption among valuers.

Considering **valuers**, they must be made independent (financially and intellectually) so that they will not be dominated by any parties involved. In practice, there should even be a labour union among valuers to protect themselves from their possibly corrupted employers.

In terms of **valuation associations**, there can be more than one association, e.g. for valuers in general, or for those valuing real estate, business, machinery and the like. They can be associations of individual valuers (professional association), corporate valuers (trade association) and the like. Associations must really represent practicing professionals and the majority with no monopoly. There must be strong commitment of the president (with certain term, 1-2 years) to devote to the associations for a certain percentage of their time, e.g. 50% during the position. The roles of the associations: protecting the profession and members, uniting them and encouraging exchanging of their knowledge and experience and news.

Considering the **roles of the government**, a valuation council should be established to monitor valuation profession not the SRO (self-regulatory organization) because of the infancy of the valuation firms in developing countries. Situation in most ASEAN countries is different from those with strong establishment of British system such as Singapore, Malaysia, and Australia where the profession and the professionals at large are strong.

The valuation council should be led by the government (who represents / works for the people as public servant). Council members are also from the industries (professionals, associations, academicians and other acceptable persons). In addition, the council should conduct examination, solving disputes, negotiation, re-valuation, business arbitration, court, and the like.

### **3.3 Valuation Education**

In fact, each valuation organization should have tangible plan to allocate a certain portion of their resources for education of their staff members. Generally speaking, the emphasis of education should be on **formal education** in the universities. In other words, education should be at a university level rather than a college level. There should be some practicing time in the field for valuation education where the trainees are guided and escorted to conduct valuation of different types of properties accordingly.

Programs can be either a one-year graduate diploma for those with no first degree in valuation. Valuers must be mature. They can be from any field with related experience. A one-year graduate diploma program should be adequate for them to be a practicing valuer.

Considering **short-course training**, in developing countries, there should be an immediate need to further train existing valuers. International-standard intensive training should be conducted for 2-3 weeks as well. In addition, there should be international-standard intensive training on business valuation as well.

CPD or continuing professional development program is a must for students. Those certified valuers should attend continuing professional development (CPD) program to update their knowledge, e.g. 30, 20 and 15 hours per year for certified / key, general and associate valuers; otherwise, their status should be cancelled. There should be some monthly events, annual conference. Valuers can also participate at education events of other related professional organizations locally or internationally.

There should also **research grants** for regular research assignments conducted to respond to contemporary needs. The upgrading of academic status of lecturers must heavily be based on research presented to the public. This is to encourage heavy production of research works beneficial for the valuation profession as a whole.

### **3.4 Property Information Centre**

There should be public investment in property information centre on self-sustained basis. Although data and information for valuation is an integral part of professional valuation, there must be understood that proper diagnosis of data is substantial as well. In addition, there is no need to have a complete set of information of an area to value only a piece of property.

Information on property prices transacted must be publicized and transparent. The disclosure of transacted prices will not violate business confidentiality inasmuch as the business is transparent. The public should have a right to know the exact prices transacted. This would be a good database for valuers as well as for preventing economic crimes. For example, in the USA, if one cheats the authorities by informing wrong / lower prices of a house bought for paying lower taxes, their neighbor can sue him. It implies that that one exploits others.

It should be enforced that private properties with value exceeding a certain amount must be valued by an independent valuer or valuation firm prior to transaction. The value appraised will be used for taxation purposes. This will help expand the services of valuers as well. In practice, valuation reports should be publicized. A pdf file of the report can be made available as well. Access will involve some service fee managed by the property information centre.

**Public records in property transaction** should be made public to all (with some payment of uses) in order to facilitate the valuation profession and make things transparent. Considering webiste, The Property Information Centre should be a **Think Tank** which has more developed role. This will help develop warning system for businesses as well as provide information for the government to make proper reaction on property markets.

The Centre can develop to do **GIS – CAMA** as well. GIS (geographical information system) with maps and programming should be a good investment as well. It can be shared for uses of other organizations such as tax offices, police, schools and the like. CAMA (computer-assisted Mass Appraisal) or AVM (annotated valuation methods) can help in government-assessed value.

#### **4. Systems and Apparatuses Required**

In order to help develop valuation profession in a developing country, some systems and apparatuses must be installed.

##### **4.1 Establishing Land Titling System**

Land titling will help define property rights of the general public. It is a fortunate that there is land tiling system in Thailand for over a century. However, in upcountry, there is still an immediate importance to issue land titles to the poor, the World Bank (2006) initiated the Land Titling Program in Thailand in early 1980's in discussions between the government and the agricultural sector of the World Bank on a structural adjustment loan. The program was divided into four phases.

The original aims of the program were “to accelerate the issuance of title deeds to eligible land holders”, “to improve the effectiveness of land administration, both in Bangkok and in the provinces”, “to produce base maps and cadastral maps in both urban and rural areas on one homogeneous mapping system, and showing all land parcels”, and “to improve the efficiency of the Central Valuation Authority”.

In Phase three, authorised by the government on 22 September 1994, the objectives were adjusted to “provide secure land tenure to eligible land owners”, “develop long term sustainability of the Department of Land’s institutional capacity”, “improve land administration service delivery”, and “develop an effective national property valuation function”. Phase four of the program is yet to begin implementation.

The World Bank, AusAid and other organizations also help establish land titling systems in Laos, Indonesia, the Philippines and the like.

##### **4.2 Materializing the Valuation Council**

In Thailand, there are professional associations of architects, engineers, accountants and the like. These associations are national ones. Those of architects and engineers are under the patronage of the King. However, for the sake of the benefit of the public, a

council was then established. In the case of the association of accountants, they even abandoned their national association to be replaced by the Council. They could do because that association was not under the patronage of the King.

In most established professionals in Thailand, recently, a council was established to regulate them. The roles of the associations are mainly for activities for the benefit of their members. For physicians, architects, engineers and the like, there are several associations such as associations for mechanical, civil, computer engineers. Therefore, the Consultant proposes to have several associations.

This organization will be a semi-public organization. In most typical boards, it consists of:

- A chairman from the head of a directly-related government organization at the department level or a ministry level. This is under a hypothesis that the Government represents its people. Therefore, this man should be the president on behalf of the public.
- Appointed board members of some ten people
- Representatives from other related government organizations
- Representatives from other related professional associations such as planners, financiers, lawyers and developers.
- Knowledgeable persons in the field
- Elected board members of some five people of currently practicing valuers who are directly elected by valuers on individual basis.
- An executive director hired as a permanent employee will be in charge of the operation.

Considering the Operation, the Valuation Council will be operated on subsidy basis from the Government for the sake of good order for the public. The budget must be adequate for running its necessary operations. Qualified staff members should also be adequate and ample as well.

### **4.3 Materializing Property Information Centre**

This centre is a key element to help conduct the valuation of properties more precisely with the assistance of reliable data on property transaction. There is a clear possibility to establish a real estate information centre. In the boom period in the case of Thailand, the value of the real estate development each year was over US\$ 3.6 billion. When the Consultant was consulting to the establishment of the Real Estate Information centre was US\$ 2.29 million (National Real Estate Information Centre, 2001) or only 0.064% of a one-year development value.

Strong government commitment is needed. Actually, the sustainable existence of the Centre is its fruitful function. If it is proved to be useful, it would last long and could be constructive to the industries. Considering the case of the Malaysian Property Information Centre (NAPIC), it started small and expanded over time. According to a

direct interview with Mr. Abdullah Thalith Md. Thani, director of the NAPIC in late May 2002, he said that the annual budget for the Malaysian Centre is 3 million ringkit (US\$ 1.24 million) per year with 100 staff members. However, in end 2003, there will be 257 staff members with the budget of 7 million ringkit (US\$ 2.9 million)

Critical functions of the Centre are directly related to property market information. First is to collect and second is to collate and synthesize data for further uses. Analysis of data for understanding and actions is the third role. The fourth is to disseminate information analyzed. This will help the industry, the Government and the public at large.

#### **4.4 Setting Valuation Education**

As stated, valuation education should be taught at a university level. The consistency in one valuation curriculum nationwide is needed. Study in graduate diploma (one year) for those with no first degree in valuation. Valuers must be mature. They can be from any field with related experience. A one-year graduate diploma program should be adequate for them to be a practicing valuer. In addition, graduate diploma (one year) specializing in plants and machinery and business valuation.

Furthermore, offers can be made for bachelor in real estate investment / property management, etc. Scholarship for lecturers to study abroad in graduate degrees with strict conditions to come back to work. In addition, alumni associations can help promote the profession to some extent. It can be use to encourage new prospect students.

Considering Research, research grants must be made available for lecturers in the universities. In the case of text books, they should be unified based on internationally-accepted text books and used at nationwide basis. There should be some brief translation, synthesis and comments on articles of good journals in valuation and real estate worldwide to distribute to valuers and institutions involved.

In the case of lecturers, at the beginning, they should come from abroad with local co-lecturers. Study manual in bi-lingual for countries where English is not formally used should be prepared within 2-3 years of the study. This will help develop valuation education strongly in a developing country. In order to set up an education institution, it can be either an independent institute teaching valuation and real estate in particular or a division in a related department.

One important thing is that there should be a wide and growing market for valuers in the countries. Based on the experience of the authors, many of those who graduated in valuation in Thailand, Sri Lanka and Vietnam did not work as a valuer. This is an education and economic waste.

### **5. Other Related Recommendations**

### **5.1 Coordinating with International Organizations**

At present, there is no single internationally-accepted organization which put all the valuation organizations together. Therefore, a valuation council or association of a developing country should learn from many organizations such as IVSC (International Valuation Standards Committee), WAVO (World Association of Valuation Organizations), RICS (Royal Institution of Chartered Surveyors – a UK-based organization), Appraisal Institute (a US-based organization). In addition, there are a few other recognized US organizations as well such as IAAO (International Association of Assessing Officers - valuation for tax purposes), ASA (American Society of Appraisers - valuation for real estate and machinery), IRWA (International Right of Way Association - valuation for appropriation). AFMRA (Association of Farm Managers and Rural Appraisers).

Other real estate – related international organizations where we should have some affiliation are FIABCI (International Real Estate Federation) which is an international organization based in Paris with the largest number of members for all disciplines of real estate). In terms of academy, related academic societies should be attached as well. They are International Real Estate Society, African Real Estate Society, Asian Real Estate Society, European Real Estate Society and Pacific Rim Real Estate Society. Their annual conferences are rich to attend.

Reciprocal cooperation with large national valuation organizations would help a developing country to learn more. These national valuation organizations which have rich experience are those from Australia, Canada, Hong Kong, Singapore, South Africa, Malaysia, Thailand and the like.

### **5.2 Studying and Practicing Abroad**

In order to learn effectively, valuation organizations in developing countries should learn from abroad. First and conventionally, students can be sent to have a bachelor or a master degree abroad such as UK, USA, Australia, Canada, Singapore, Hong Kong, South Africa, Malaysia and the like. A lesson from Thailand is that most of them did not work on valuation after coming back to Thailand. There is no much advancement in this career so they moved to some other division or organizations. For those who study abroad, they should have time to practice abroad for a few years as well. Therefore, they will really have fruitful and practical experience.

Study visits abroad or on-the-job training abroad for practicing valuers can be good exploration for them to learn practical knowledge abroad.

### **5.3 Educating the Public**

Actually, in order to strengthen valuation knowledge in a developing country, there should be strong and continuing campaigns to let government officers at different levels, the private sector and the general public (students or people) to have understandings on valuation techniques so that They can conduct valuation themselves more scientifically.

They can help watch the professionals and help develop the profession at large. A good movement is essay competition on valuation. Topics can be "why should we conduct proper valuation of property prior to transaction" at high-school, university and public levels with prizes and plaques from the Prime Minister.

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[Acquisition of Condominium Unit by Alien Application For Accouision of Land or Condominium Units by Aliens And Persons Connected With Aliens](#)

[Hire of Immovable Property for Commerce and Industry by Alien](#)

[The Acquisition of Land for Residential Purpose by Aliens CONDOMINIUM ACT \(No. 3\) B.E. 2542 \(1999\)](#)

[Act Hire of Immovable Property for Commerce and Industry B.E. 2542 \(1999\)](#)

[THE LAND CODE AMENDMENT ACT \(NO.8\) B.E. 2542 \(1999\)](#)

[Ministerial Regulation No.8 \(B.E. 2543\) Issued under the Condominium Act B.E. 2522](#)

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## Appendix 1: List of International Experts Interviewed



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Greenwood



Ghyoot



Highfield



Hyun



Lau



Liu



Trout

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He earned his Ph.D. in Land and Housing from the Asian Institute of Technology (AIT) and had further training with a Certificate Property Appraisal, Land Reform Training Institute - Lincoln Institute of Land Policy and a Certificate Housing in Development, PGCHS, Katholieke Universiteit, Leuven, Belgium.

Regarding international affiliation, he is the country representative of the International Association of Assessing Officers, representative of FIABCI to UNESCAP and council member of the ASEAN Association for Planning and Housing. He has been a consultant to the UN-Habitat, ILO, ESCAP, FAO, and other international organizations.

In Thailand, he has also been a Vice President of FIABCI-Thailand, Board Member of Thai Chamber of Commerce Real Estate Committee and advisor to the Property Management Association, the Housing Mortgage Association and the Housing Developers Association.

He owns the Agency for Real Estate Affairs (www.area.co.th) which is the largest real estate information centre in Thailand. AREA is also the only wholly ISO 9001-2000 certified property consultant firm in Thailand. He also established the Thai Real Estate Business School (www.trebs.ac.th) which is a real estate education centre in Thailand.

He has been involved with several major property projects such as the master plan of regional airport system of Thailand (a consortium project led by Lufthansa Consulting), land price modeling (JICA), property information centre (a World Bank project), property assessment (ILO), land use planning (PADCO – Washington DC), valuation workshop (FAO).

His major real estate consulting projects include Marriott hotels (Thailand and Indochina), Seacon Square (the largest shopping centre), the Emporium (a high-end complex), St. Louis Hospital (the largest private hospital), as well as thousands of offices complexes, industrial plants, airports, retail activities, industrial properties, gas stations, convenient stores and the like.

His research masterpieces include the finding of 1,020 Bangkok slums (1985), the first CAMA modeling in Thailand (1990), the finding of 300,000 unoccupied housing in Bangkok (1995), the construction of the GeoSearch – the first Thai real estate-GIS program (1998), the study for the establishment of Thai property information centre (2000), and the construction of land price models (2002), a roadmap for Vietnamese Valuation Development (2006).