

# ThaiAppraisal



Mr.Pongsak Raktapongpaisal H.E. Minister of Transport delivered keynote speech at the 36<sup>th</sup> Monthly Forum of our Foundation on Monday, September 26, 2005

## Thai Delegates at the 70<sup>th</sup> Annual Conference, International Assoc. of Assessing Officers (IAAO) Anchorage, Alaska, Sep.18 - 21, 2005

Mr. Thevan Vichitakul, Deputy Director, General, Treasury Dept.; Dr. Somchai Sujjapongse, Deputy Director General, Fiscal Policy Office; Ms. Ladavan Tanatanit, Executive Vice President, Bangkok Bank Plc.; Mr. Klayo Thongsom, Director, Property Valuation Bureau; Ms.Supanee Lertchaiyalit, Director, Fiscal Policy for Local Authorities, Fiscal Policy Office, Mr. Krishana Sanitnarathorn, Executive Vice President, Bangkok Commercial Asset Management Co.,Ltd.; Mr. Adisak Apajinda, Vice President, Bangkok Bank Plc.; Mr. Suthep Rodjakpai, Prospec Appraisal Co., Ltd.; Ms.Pattama Chantranukul, Deputy Managing Director, Agency for Real Estate Affairs. The team is led by Dr. Sapon Pornchokchai, IAAO Representative in Thailand



Dr. Sapon Pornchokchai, IAAO Representative in Thailand



Dr. Sapon Pornchokchai, President, Thai Appraisal Foundation was invited to be a speaker at the Asia Pacific Real Estate Congress (APREC) in Osaka, September 28-30, 2005



Your Contact for the Property and Appraisal Professions in Thailand



Thai Appraisal Foundation: Thailand's Principle Member of the FIABCI

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# ThaiAppraisal



**Sapon Pornchokchai, Ph.D.**  
President, Thai Appraisal Foundation  
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## 1. THE OFFICIAL QUARTERLY JOURNAL OF THAI APPRAISAL FOUNDATION

## Thai Appraisal Fn., A National Institution

The Royal Thai Government has issued the new establishment of the Thai Appraisal Foundation as “a foundation of Thailand”. A typical non-profit foundation can become a “national foundation” when it has proved to contribute rigorously to the society.

Our Foundation is known as one off the most active real estate organizations in Thailand. We published this most regular journal, **ThaiAppraisal**, every two months for 6,000 copies distributed nationwide (as well as some 300 to other real estate organizations around the world).

Our monthly forum has come it its 37<sup>th</sup> session in this October. You may know that over 3,000 people participated last years.

Essay competition and other activities have also been conducted to help educate the public on property valuation and real estate.

Join us to strengthen the concept: Knowledge is not private property.

Sincerely,  
Sapon Pornchokchai, Ph.D.

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# From Journals Worldwide



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The following quotes some major findings from a portion of articles published in different journals related to real estate and elaborates in Thai for education purposes.



## Vice Premier's Note, China Appraisal Society The Journal of Assets Appraisal, 2005, No.8, p.4

The 3rd National Assembly of Delegates of China Appraisal Society was held at the People's Hall of Conference in Beijing from July 19th to 21st. Vice Premier Huang Ju was present

and addressed the Opening Ceremony. In his speech, he put forward five main expectations: 1)As one of the professional market intermediates, assets valuers should fully participate the social economic activities, expand new businesses. and provide servicing and intellectual support for the building-up of the socialist market economy. 2) Taking advantage of professional market intermediates, valuers should explore foreign markets and play an active role in "introduction and export", contributing to the openness of China's economy. 3) Assets valuation profession should take an active part in the economic governance and supervision, and facilitate the structural reform of government. 4) Strengthen the legal construction of appraisal profession; make the self-regulatory body play a full role; closely regulate the behavior of professional market intermediates. 5) Strengthen education and training and significantly improve the practice quality and ethics of valuers.



## FIABCI Press No.10 August 2005, p.8 the Patriot Act

In general, the Patriot Act imposes greater diligence requirements on financial institutions in their dealing with foreign investors, Financial institutions must observe minimum due diligence standards, including procedures for customer identification for accounts they open and maintain for their customers. Customer identification procedures must, at a minimum, include (a) a verification of the identity of any person opening an account by obtaining the customer's name, address, date of birth and taxpayer identification number (or, for non US persons, a similar number from a government-issued document) and examining such person's driver's license, passport or any other document deemed appropriate by the financial institution, (b) record keeping of the information used to verify the person's identity and (c) a determination of whether the person appears on any list of known or

suspected terrorists or terrorist organizations (such lists include the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control and the persons identified in Executive Order No.13224 of September 23,2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism). In addition, financial institutions must adopt special measures for certain accounts, transactions or foreign jurisdictions identified by the US Treasury Department to be of primary anti-money laundering concern.

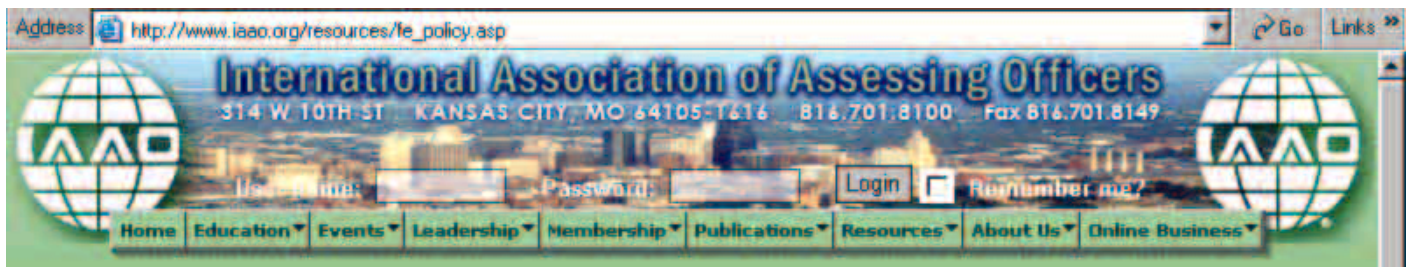
### Impact on Foreign Investors

Foreign investors typically make their investments in the United States through entities formed in tax-favorable jurisdictions, such as the Cayman Islands and the British Virgin Islands, and/or entities formed in the United States. These ownership arrangements will result in the application of the Patriot Act in several ways. First, and most directly, the entity through which the foreign investments are being made in the United State will often need to establish a bank account at a US bank or will need to obtain financing from a US bank. The US bank in these circumstances will certainly require the information described in Part I above for that entity. In addition, the US bank will likely require

information about the direct and beneficial ownership of that entity.

The scope of the information that a US bank will request about the foreign beneficial owners of an entity through which foreign investments are being made in the United States will depend on the nature of that entity's foreign ownership. For example, if a single foreign investor is making an investment in the United States directly through a Cayman company and a US company, the US bank is likely to ask the foreign investor to provide the type of information described in Part I above. On the other hand, if a foreign financial institution or similar company is forming a fund consisting of a number of foreign investors, and that fund is making its investment in the United State through a Cayman company and/or a US company, US banks have generally accepted, as a means of satisfying their diligence requirements under the Patriot Act, a certificate from the foreign financial institution confirming that it has conducted appropriate diligence on the foreign investors in the fund and their source of funds, and that none of them is on any prohibited persons lists maintained by the Office of Foreign Asset Control.





**International Association of Assessing Officers  
Fair & Equitable Magazine, July 2005, Vol.3 No.7, p.5-7  
Revised Appraiser Qualifications**

While revisions to the qualifications have been made in the past, at its February 20, 2004 meeting the AQB made sweeping changes to the educational segment of the re-quirements. The changes have an implementation date of January 1, 2008. Assuming all states adopt the new changes, anyone seeking an appraisal license or certification in 2008 must satisfy these new requirements. Existing credential holders shall be considered in compliance and thus do not have to complete the revised qualifying education. The new requirements apply to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. The AQB has placed the requirements into three distinct segments or components:

- 1. Education | 2. Experience | 3. Examination

Although the major area of change is in the Education segment, the Examination component will be updated to be consistent with the new education. No changes are being made to the Experience segment.

**Table 1. Current Course requirements**

Classification	Hous of Education	Degree	Hours of Work	State Examination	Scope of Practice
Trainee	75	None	-	None	Supervised oly
Licensed	90	None	2000	Yes	non-complex 1-4 res.
Certified Residential	120	None	2500	Yes	all 1-4 family
Certified General	180	None	3000	Yes	all types

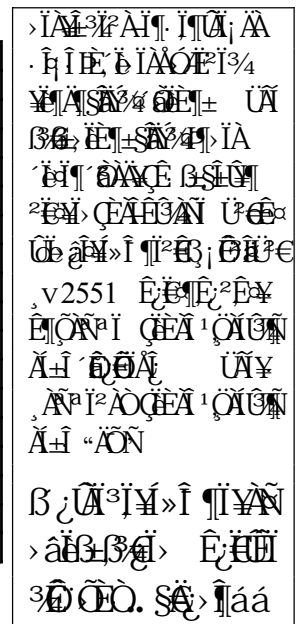
**Table 2. Course requirements as of January 1, 2008**

Classification	Hous of Education	Degree	Hours of Work	State Examination	Scope of Practice
Trainee	75	None	-	None	Supervised oly
Licensed	150	None	2000	Yes	non-complex 1-4 res.
Certified Residential	200	Associate	2500	Yes	all 1-4 family
Certified General	300	Bachelor	3000	Yes	all types

**Table 3. Composite Summary of course requirements for each credential**

#	Course	Hours	*Classification			
1	Basic Appraisal Principles	30	T	L	R	G
2	Basic Appraisal Procedures	30	T	L	R	G
3	The 15-Hour National USPAP Course or Lts Equivalent	15	T	L	R	G
4	Residential Market Analysis and Highest and Best Use	15		L	R	
5	Residential Appraiser Site Valuation and Cost Approach	15		L	R	
6	Residential Sales Comparison and Income Approaches	30		L	R	
7	Residential Report Writing and Case Studies	15		L	R	
8	Advanced Residential Applications and Case Studies	15			R	
9	Appraisal Subject Matter Electives	20			R	
10	Statistics, Modeling and Finance	15			R	G
11	General Appraiser Market Analysis and Highest and Best Use	30				G
12	General Appraiser Sales Comparison Approach	30				G
13	General Appraiser Site Valuation and Cost Approach	30				G
14	General Appraiser Income Valuation and Cost Approach	60				G
15	General Appraiser Report Writing and Case Studies	30				G
16	Appraisal Subject Matter Electives	30				G
	<b>Total</b>	<b>395</b>	<b>75</b>	<b>150</b>	<b>200</b>	<b>300</b>

\* Classification key: T=Trainee; L=Licensed; R=Certified Resident; G=Certified General





**The Malaysian Surveyor, 40.2 (no date, ~August 2005), p.52**  
**The Institution of Surveyors Malaysia,**  
**How Innovative Is Our Surveying Community?**

In this era of so-called "New Economy", knowledge is considered as a crucial input in the industrialization and development of any nations. The New Economy is strongly influenced by the liberalization of international trade system worldwide where emphasis is given to competitiveness.

With this scenario, the importance of knowledge as a factor determining the growth of nations is critically important. The New Economy changed how the surveying industry is conducted and the new rules of the game require speed, flexibility and innovation.

The intellectual property system, namely the number of patents awarded can be used as a yardstick, assuming that any significant transfer of knowledge is related to number of patents awarded.

It is a well known fact that innovative activity which is the primary source of knowledge generation. Concentrated only in a number of developed nations. Within these developed nations, these activities are only concentrated and dominated by only a small number of corporations.

Innovation trends in the surveying community that are related to the fields such as GPS, GIS, RS, mapping, cartography, triangulation, spatial, photogrammetry and hydrography is very interesting to be analyzed and dissect.

Japan leads in their patenting activities with a total of 235 surveying related patents issued for the 20-year period. And this is followed by South Korea, Taiwan and China.

Out of the total 3442 surveying related patents issued by the U.S. Patent and Trademark Office, only 286 or 8% originates from the Asian Countries. The remainder of the 92% of the patents mostly originates either from North America or Europe.

These numbers show that there is a lack of innovative activities amongst the surveying professionals in the Asian region compared to their North American or European Counterparts.

What is more disturbing is that Malaysia, which offers surveying programs in four universities does not possess a single patent in the surveying sector.

Ironically Singapore, which the number of surveying professionals is far less than of Malaysia, has already produced three patents that are related to their profession.

Sustained economic growth and job creation has long been high on the list for most nations. Long-term studies of the United States and other developed nations shows that advances in technology and knowledge have been

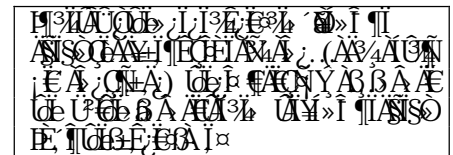
responsible for at least half of the long term economic growth.

The creations of new products, services and systems act as the catalyst for the economic growth.

Thus, policies to promote technology and knowledge creation are playing significant role in the economic growth strategies of most developed and developing nations, Malaysia is not immune to this.

The surveying discipline has rapidly expanded over the last decade – to the extent that the geographic component of information technology has how become a major global growth area. Indeed, annual worldwide expenditure in this field (in terms of software, hardware, training and data) is estimated to grow tremendously.

Yet, despite all the wonderful progress we have made, the surveying profession, education and training is astonishingly lacking behind and – in our view – is most stuck on historical tramlines. It's time for all of us to move forward.



**July-August 2005, p.32-33;**  
**The Royal Institution of Chartered Surveyors,**

**Do the Right Thing:**  
**The Rise of Corporate Social Responsibility**

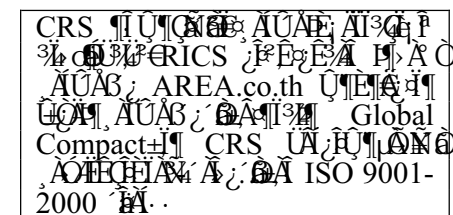
**Why should we do it?:** So, what's in it for you? From a property company's point of view, embracing CSR has he following advantages:

- § Legislative compliance: engaging with CSR will ensure that the necessary infrastructure is in place to comply with legislative requirements and to identify risks
- § Competitiveness and efficiency: both the government and CSR-focused occupiers are demanding higher CSR standards. Also, embedding CSR into your business can lead to operational efficiencies
- § Reputation management: investors, clients, the government, local authorities, communities and employers are increasingly demanding of companies' environmental and social performance.
- § Market differentiation: thinking about everyone involved in their developments, or even focusing on the occupiers as a building's greatest asset, can raise the profile of CSR-oriented companies.

- § Satisfying investor pressure: a strong driver towards companies taking CSR on board is the rise of ethical investments. According to a Mori poll, 65 per cent of the public, and 74 per cent of under-34s, want to invest their money-including their pensions, ISAs, etc-in an ethical manner. Companies who pass a number of criteria are accepted on such indices as the FTSE4Good, which has demonstrated that environmental and human rights performance is a good predictor of overall business performance. The similar Dow Jones Sustainability Index rose 2 per cent more than the world index between 2002 and 2003.
- § Staff retention: a study for the Industrial Society in 2000 found that 75 per cent of UK professionals take social and ethical considerations into account when selecting a job.

In the property sector, developers have led the way in CSR, mainly due to the very visible nature of their business.

Agents are also waking up to the need to provide CSR focused services, with some developing corporate environmental policies.





### Relocation... Transformed

Applying the New Regulations in 2005

The International Right of Way Association (IRWA) will sponsor the 2005 U.S. Uniform Act Symposium on November 7-9 November 7-9, 2005. The comprehensive three-day symposium will facilitate direct application of Uniform Relocation Assistance and Real Property Acquisition Act Amendments made earlier this year.

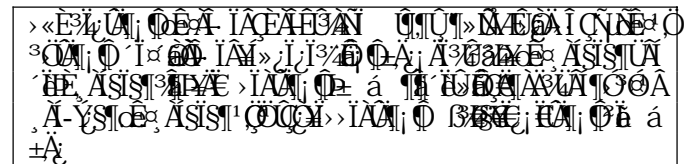
The Uniform Act provides important protections and assistance for people affected by the acquisition, rehabilitation, or demolition of real property for Federal or federally funded projects. This law was enacted by congress in 1970 to ensure that people whose real property is acquired, or who move as a direct result of projects receiving Federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy.

A major revision of the regulations was released on January 3, 2005, the first major revamping since it was originally issued in 1989. More than 18 federal agencies, including the Federal Highway Administration, United States Corps of Engineers, Federal Aviation Administration and others must adhere to the rules and regulations in working with state and local governmental entities as well as private consulting firms.

The Uniform Relocation Assistance and Real Property

Acquisition Policies act revisions are in accordance with the following objectives:

- ↓ To ensure that owners of real property to be acquired for Federal and federally-assisted projects are treated fairly and consistently
- ↓ To encourage and expedite acquisition by agreements with such owners
- ↓ To minimize litigation and relieve congestion in the courts
- ↓ To promote public confidence in Federal and federally-assisted land acquisition programs
- ↓ To ensure that persons displaced as a direct result of Federal or federally-assisted projects are treated fairly, consistently, and equitably so that such displaced persons will not suffer disproportionate injuries as a result of projects designed for the benefit of the public as a whole
- ↓ To ensure that Agencies implement these regulations in a manner that is efficient and cost effective



## Marketing Intelligence (MI) & Market Feasibility Study

Marketing Intelligence (MI) & Market Feasibility Study is a comprehensive analysis of market conditions, consumer behavior, and competitive landscape. It provides valuable insights for strategic decision-making and business development. The study includes data collection, analysis, and reporting to help organizations understand their market environment and identify opportunities for growth.



Photo Source: [http://www.aplan.gr/images/Market\\_Research.jpg](http://www.aplan.gr/images/Market_Research.jpg)

## RE100: A Strategic Initiative for Growth



RE100 is a strategic initiative designed to drive growth and innovation. It focuses on enhancing operational efficiency, expanding market reach, and fostering a culture of excellence. The initiative involves a cross-functional team of experts who will work together to identify key areas for improvement and implement targeted strategies. This approach ensures that the organization remains competitive in a rapidly changing market environment.

Y. J. P. S. & Co. (P) Ltd. is a leading provider of strategic consulting services. We offer a wide range of solutions tailored to your specific needs, ensuring long-term success and sustainable growth for your organization.





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Deputy Director of TREBS

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RE121	> I <sub>3</sub> A <sub>3</sub> N <sub>3</sub> A <sub>3</sub> I <sub>3</sub> E <sub>3</sub> A <sub>3</sub> 3/4 U <sub>3</sub> I <sub>3</sub> B <sub>3</sub> B <sub>3</sub> I <sub>3</sub> A <sub>3</sub> N <sub>3</sub> A <sub>3</sub> I <sub>3</sub> A <sub>3</sub> C <sub>3</sub> E <sub>3</sub> I <sub>3</sub> A <sub>3</sub> M <sub>3</sub> A <sub>3</sub> 1.5 A <sub>3</sub>
RE123	> I <sub>3</sub> A <sub>3</sub> N <sub>3</sub> A <sub>3</sub> I <sub>3</sub> E <sub>3</sub> A <sub>3</sub> 3/4 U <sub>3</sub> I <sub>3</sub> B <sub>3</sub> B <sub>3</sub> I <sub>3</sub> A <sub>3</sub> N <sub>3</sub> A <sub>3</sub> I <sub>3</sub> A <sub>3</sub> C <sub>3</sub> E <sub>3</sub> I <sub>3</sub> A <sub>3</sub> M <sub>3</sub> A <sub>3</sub> 5 A <sub>3</sub>
RE124	> I <sub>3</sub> A <sub>3</sub> N <sub>3</sub> A <sub>3</sub> I <sub>3</sub> E <sub>3</sub> A <sub>3</sub> C <sub>3</sub> N <sub>3</sub> S <sub>3</sub> E <sub>3</sub> C <sub>3</sub> E <sub>3</sub> I <sub>3</sub> A <sub>3</sub> M <sub>3</sub> A <sub>3</sub> 4 A <sub>3</sub>
RE131	> I <sub>3</sub> A <sub>3</sub> C <sub>3</sub> E <sub>3</sub> I <sub>3</sub> A <sub>3</sub> M <sub>3</sub> A <sub>3</sub> U <sub>3</sub> 3/4 E <sub>3</sub> I <sub>3</sub> S <sub>3</sub> 6 A <sub>3</sub>

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# 3 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100

Computer-assisted Mass Appraisal (CAMA) <1> UAA Valuation Process and Mr. Ken Engle, CFE, Valuation Process Analysts, Hillsborough County, Tampa, FL <2> Hillsborough County, Tampa, FL <3> Discounted Cash Flow = The present value of future cash flow, determined by a given discount rate (http://www.financial-publishing.com/realestatedictionary/fidelitytitle company) EDA valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future free cash flow projections and discounts them to arrive at a present value, which is used to evaluate the potential for investment. Most often discounted by the weighted average cost of capital (www.investopedia.com/terms/d/dcf.asp)

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# Corporate Real Estate: Why do you own / lease real estate?

Prof. Valmond Ghyoot, President, African Real Estate Society ghyoovg@unisa.ac.za

**W**hy does your firm own or lease the land and buildings it uses? Without a clear answer to this question, you won't really know whether money is being wasted, operations needlessly restricted, or control diminished. Over the past few years, the realisation that large amounts of capital are tied up in fixed property assets has led to an international shift towards leasing and sale-leasebacks (selling properties and then leasing them back from the buyer). How were these decisions motivated? In a survey, more than 80% of firms indicated that the own v lease decision was based on financial criteria. However, the impact of this decision extends beyond financial statements and has far-reaching strategic implications. Some of these other, less obvious, considerations are explored here.

Making the correct decision often has an immediate financial impact of millions per individual property. But, be careful. You should investigate the full implications of the choice. Even an entrepreneurial strategy in the handling of property assets has its drawbacks. An opportunity may be profitable, but its pursuit could distract management and thereby reduce profitability of the core business. A prominent beer brewer faced this choice. It owned a facility in a prime tourist spot, but opted to treat it as a cost centre. The firm chose not to disrupt the business.

So, when should your firm own property? The main indicator is a need for specialised facilities, such as an iron foundry or shipbuilding facility. A need to control the facility (for example, for military uses) or to be in a specific location where no leased space is available, are other obvious indicators. A stable business environment or the ability to source funding at lower rates than developers would also suggest ownership. However, the impact of ownership on financial statements should be considered. A significant part of the financial benefit of owning real estate comes from the residual value of an eventual sale. Until such a sale takes place, this potential may not be reflected in financial statements, or in earnings per share. As a result, the firm's apparent performance may be reduced. A parallel problem is that fixed property tends to be shown at book value less depreciation, again hiding its true value. If these assets are mortgaged at a percentage of market value, the firm's debt ratio is adversely affected.

And leasing? Generic office or warehouse space should generally be leased, thus providing flexibility. Another indicator is a need for increased liquidity. A common reason for leasing is that it constitutes 100% financing, which is off-balance sheet and need not reduce the firm's borrowing capacity. However, long term leases are visible to lenders and analysts, and the accounting practice of capitalising lease commitments negates the effectiveness of this strategy. Leasing also allows a firm to

locate in a prime area where development land is not available, obviates facility management concerns and may lead to more efficient use of space.

Experience shows that the real estate own v lease analysis is complex and that qualitative aspects often overrule finances. Despite the difficulty in analysis, own v lease analysis is frequently employed by decision-makers to clarify their thinking.

There may be better investments than in corporate property. If the yield on corporate operations is higher, why own any property at all? In answering this question, continual evaluation of property assets is not necessary. A periodic audit should do the trick.

### Does this criterion affect your decision?

#### BENEFITS OF OWNING

- May be custom-designed
- Provides control and captures any increase in value
- Long-term operation possible; will not be forced to move
- Operating expenses, depreciation, interest are tax-deductible
- May buy in location where rental space is not available
- Long term cost usually less than for leasing
- Control over facility management costs

#### DISADVANTAGES OF OWNING

- Exaggerates liabilities and decreases apparent profitability
- Initial high cost and possible reduced liquidity
- Owner-occupiers may waste space
- Ownership ties up capital
- Market risk affects eventual resale value of the property
- Asset and facility management responsibilities
- May distract senior management

#### BENEFITS OF LEASING

- Increases liquidity and frees up working capital
- Provides 100% financing, without using up financing options
- Encourages more efficient space usage
- Short-term flexibility of space use
- Opportunity to test a new location
- May obtain space in prime area or building
- Rent is tax deductible
- If tenant is prominent, the rent may be subsidised by others
- May keep much of facility costs off the balance sheet
- Preferable for firms with high cost of debt
- Fewer facility management concerns

#### DISADVANTAGES OF LEASING

- Tenant usually has no stake in any capital appreciation
- Periodic rent increases turn rent into a variable cost
- Lease clauses may limit flexibility
- Less control over adjacent occupants

## CONTACT INFORMATION

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