
HOW RELEVANT ARE APPRAISALS/ VALUATION REPORTS TO INTERNATIONAL REAL ESTATE TRANSACTIONS?

by Mark Lee Levine, CRE & Jeffrey L. Engelstad

ABOUT THE AUTHORS

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INTRODUCTION & RESEARCH STATEMENT OF PURPOSE

On what basis do international buyers, sellers, and those involved in leases, value realty for disposition, acquisition, and/or leasing property, whether within or outside of the United States, and, in doing so, undertake such actions and/or strong support for their decisions by reliance on a formal appraisal or other similar valuation tool for such decision-making process?

This analysis looks to survey work by the authors and a review of literature within the field relative to international valuation issues and the relevant literature in place as to the reliance on appraisals and/or other valuation techniques when making these decisions for acquisitions, dispositions, and/or leasing.

Through a brief survey, (*see Exhibit 1*), of investors, advisors and consultants, governmental officials, academicians, real estate brokers, valuers, appraisers, and others, the research and analysis examined whether they and/or their clients conclude that their decisions are reliant on the appraisals and/or valuation tools which one might traditionally use in (commercial) real estate transactions.

This study, in part, questions the almost gospel, dogmatic position by many in the United States of their reliance on formal appraisals, at least in part, when there are larger commercial real estate transactions being

undertaken by a buyer, seller, or those involved in leases.

In part, the use of appraisals in the United States may be reliant on data and analyses that are not relevant in some other countries. A portion of this manuscript examines such position, including the availability of relevant market sales data. Such data may exist in the United States but may not be available in many other countries.

Part of this research, relevant to the question of reliance or non-reliance on appraisals or other valuation techniques, was tested through the responses from the formal survey, as well as an examination of literature in the field that denoted availability of information necessary to produce what might be labeled as a "traditional appraisal" of commercial real estate.

REVIEW OF LITERATURE: INTERNATIONAL STANDARDS OF VALUATION & USE OF VALUATION TECHNIQUES

Valuation Techniques: Fundamental Approach

Although use of the term "appraisal" is employed differently in varied settings throughout the world, the use of this term in this manuscript relies on the broad, generic definition of an appraisal as ". . . the act or process of estimating value."^{1a}

The use of the term "appraisal" may be more common in the United States than much of the rest of the world, where the reference to one who is undertaking an appraisal, an "appraiser," might be referred to as a "valuer."² However, for purposes of this manuscript, the reference to the term "appraiser" will equate to the term "valuer" and the use of the term "appraisal" will equate to a valuation report, or similar document.

The United States appraisal profession has generally followed the Uniform Standards of Professional Appraisal Practice (USPAP),³ promulgated by The Appraisal Foundation.

After an examination of many other studies and papers on the topic of appraisal and valuation, it is clear that there are many standards or differences throughout the world when undertaking valuation reports. For an excellent overview of this area, see the article prepared by Dorchester and Vella.⁴ In their article,⁵ these authors undertook an impressive review of the topic of valuation standards as they exist throughout the world on a broad scope,

and more specifically as to the European Union and their valuation standards.⁶

Because valuation standards are important for one to determine the nature of the report, the authors, emphasized the need for consistency in valuation standards throughout the world. The authors noted the development of such valuation standards in the European Union.⁷

Reliability is the key factor for appraisals and valuation reports. The authors made the point that standards attempt to improve reliability and consistency of the process and the parties involved: "As valuation standards are fully implemented internationally, foreign investors are more likely to seek and rely on U.S. appraisers for professional assistance."⁸

The need for international valuation standards, for valuation of U.S. properties, valuation of foreign properties, liaison with capital markets, liaison with accounting standards, and public sector financial reporting were key issues mentioned in the article, which examined how appraisers can work well with their international clients.⁹

Thomas Friedman said in his *Lexus and the Olive Tree* work that globalization issues face everyone.¹⁰ There is certainly no exception to this conclusion. It is only a question of the degree.

One of the concerns with valuation in general is the Standards which are employed, if any. This was highlighted in the United States and supported under the concept of The Appraisal Foundation and development of the Uniform Standards of Professional Appraisal Practice (USPAP).

Other countries have also focused on the need for valuation standards. Only very recently, and very apropos to this research, has been the release in July, 2000 by the International Valuation Standards Committee (IVSC) of the *International Valuation Standards 2000* (IVS). This *International Valuation Standards* document emphasized the importance, as seen by all of the sponsors, for the need of a position that is consistently followed throughout the world, and certainly relative to European standards in particular. IVS 2000 is the first publication to emerge from the IVSC Standards Project launched on January 1, 2000. This three-year project aims to produce a comprehensive and robust set of international valuation standards and guidance by 2002.

The IVS 2000 publication stated, on page 3, that the objectives of the IVSC have been two major concerns:

- The formulation and publication of valuation standards and the promotion of their worldwide acceptance; and
- To harmonize standards among the world's states and identify and make disclosure of differences in statements and/or applications of standards as they occur.

These goals or objectives by the IVSC also relate to the research undertaken in this manuscript in that they emphasized the concern with valuation reports, the need for consistent standards, and the need to properly apply those standards in various settings. The IVSC continues to be concerned with a lack of standards, especially those involving the appraisal standards of emerging countries that are only now gaining in some degree of sophistication as to real estate valuation issues.

For an interesting discussion of many of the broader issues noted in this section of this manuscript, see the authorities cited in the footnotes. These authorities discuss the issues of international valuation standards,¹¹ (European, in particular),¹² international real estate appraisal organizations, adaptability and applicability of standards at different times and locations throughout the world, as well as differences in techniques, cultures, and application when undertaking appraisals or valuations in any country.

EXPLANATION OF METHODOLOGY

The approach to examining the issue of the applicability of an appraisal or valuation report when acquiring, disposing of or leasing real estate on an international basis is examined through the use of the brief survey (*Exhibit 1*).

In the survey, there were six questions that attempted to pointedly direct the participant.

Question 1 focused on the current position of the respondent in terms of occupation, profession, or primary job function. As to real estate issues, the respondent was asked to note his/her general background as to the current area of practice, the country of domicile, and investments in a given country or countries.

Question 2 addressed the capacity in which the respondent was acting, viz., personally or as a representative of another party or entity, on an

international basis. This included representation of a seller, buyer, or one under a lease position. Question 2 also noted that if the answer to the above questions indicated that the respondent was not involved in those activities, then the respondent would end the survey and go no further, but would transmit the survey back to the sender.

Question 3 asked for varying positions of agreement or non-agreement, numerically, from 1 to 5. The least agreement would be Level 5; the strongest agreement would be Level 1.

Question 3 covered:

- The use of appraisals as important in the decision-making process for the sale, purchase, and/or lease of real estate;
- Issues of bias and independence;
- Use of the term "appraisal";
- The importance of a formal appraisal as a valuation tool.

Question 4 focused on the majority of transactions that the respondent had undertaken in international, commercial real estate. As to the representation of a buyer, seller, or lessor/lessee, or for one's own interest, the question then asked whether such party relied on an independent, third-party appraisal/valuation on the subject property for the acquisition, disposition, or leasing.

Question 5 inquired as to what primary valuation tool was used by the buyer, seller, or lessor/lessee. This question attempted to determine what valuation instrument was most favored when making the decision as to what a property was allegedly worth for the acquisition, disposition, or leasing. The choices ranged from individual approaches to value to "personal reaction" to the formal appraisal document.

Question 6, the final question, asked the respondent to note whether his/her main area of focus in real estate, whether personally or with clients, involved residential or commercial real estate.

As can be seen, the attempt was to keep the survey short, thereby encouraging a greater response rate.

The responses to these survey questions are illustrated below.

DATA ANALYSES

Question 1: Background Information: The background information on the respondents illustrated

SURVEY ON VALUATION ISSUES

Note: Limitations and Qualifications on this Study: The study was undertaken by the use of surveys sent by e-mails, mail, and handouts. (Not all questions were answered by all respondents.)

1. Background information:

- a. My current position can best be described as an (check all that apply):
 - 1. Investor _____
 - 2. Advisor/consultant _____
 - 3. Government official _____
 - 4. Academician _____
 - 5. Broker (real estate) _____
 - 6. Appraiser or valuer _____
 - 7. Other (please specify) _____.
- b. My country of domicile is _____.
- c. Directly, or with clients, I am involved in investments in real estate in (check all that apply):
 - 1. USA _____
 - 2. Central or South America _____
 - 3. Canada _____
 - 4. Europe _____
 - 5. Australia/New Zealand _____
 - 6. Asia _____
 - 7. Africa _____
 - 8. Other locations than noted above _____
 - 9. None of the above _____.

2. Do you represent, or act personally, on an international basis (check all that apply):

- Yes__ No__ a. Sellers of real estate, where the real estate is located outside or within the United States of America?
- Yes__ No__ b. Buyers of real estate, where the commercial real estate is located outside or within the United States of America?
- Yes__ No__ c. Lessors or lessees of real estate located outside or within the United States of America?

NOTE: d. If a, b, or c were answered "Yes," go to Question #3. If the answer to a, b, and c, above, were "No," stop the survey and please transmit the survey back to the sender.
Thank you for your cooperation.

3. In your order of agreement or disagreement, please respond to the following (circle 1 for the strongest agreement, and circle 5 for the least agreement with the following statements):

STRONG LEAST

- 1 2 3 4 5 a. The use of appraisals is important in our and my clients' decision-making process for the sale, purchase, and/or lease of real estate.
- 1 2 3 4 5 b. I and my clients put very little weight on an appraisal, unless we know it is undertaken by an unbiased person, unrelated (to the transaction).
- 1 2 3 4 5 c. An appraisal (when we/I use this term) covers the broad range of valuation, opinion of value, comparative market analysis, and the like, undertaken by a reasonably informed, independent, third-party.
- 1 2 3 4 5 d. One of the most important valuation tools used by me and/or my clients when valuing property is an appraisal, although we certainly also use other tools.
- 1 2 3 4 5 e. I and my clients would rarely undertake the purchase, lease and/or disposition of realty without an independent appraisal (valuation) being undertaken prior to such act.
- 1 2 3 4 5 f. Appraisers in my country of domicile generally act independently and are held to standards prescribed by government(laws) and/or professional organizations that regulate such appraisers/valuers.

(Continued on next page)

4. In answering the following Questions, assume that your answer represents the majority of transactions that you have undertaken in commercial real estate on an international basis. In representing a buyer or a seller, or for your own interests, as noted in Question #2, did you, the buyer, seller, or lessor/lessee rely on an independent, third-party appraisal/valuation on the subject property for the acquisition or disposition of the property?

CHECK ONE:

- a. Heavily relied on the appraisal for the decision to buy, sell and/or lease;
- b. Relied on the independent appraisal, but only moderately;
- c. Did not rely on the independent appraisal that was undertaken;
- d. There was no independent appraisal used in this transactions; or
- e. I do not know if there was any reliance on an independent appraisal relative to the transaction(s).

5. The primary valuation tool used by you and/or a buyer, seller or lessor/lessee you represented to value the subject property in question, which was being sold or purchased outside of the United States of America, by an international non-citizen/non-domiciliary of the U.S.A., was:

CHECK ONE:

- a. An independent appraisal/valuation;
- b. The Income Approach employed by a party to the transaction;
- c. A "personal reaction" to the property by the buyer or seller;
- d. The cost of the property;
- e. Market comparisons undertaken by a party or representative of a party; or
- f. Other means.

6. My main dealings in real estate, personally or with clients, is with:

- a. Residential real estate _____
- b. Commercial real estate _____.

that their strongest interests seemed to be from what could be considered "traditional appraisers" within the United States.

As indicated in Question 1(a), the respondent groups tended to be in seven general categories, including investors, advisors/consultants, governmental officials, academicians, real estate brokers, appraisers, and others, as indicated in the following material. Appraisers dominated, being approximately 40 percent of the entire populace responding. This is reasonable, as they would naturally be more likely than non-appraisers to answer a survey involving appraisal-related issues. The bulk of the non-appraiser respondents were from real estate brokers, advisors, and investors.

The job positions, excluding the 40 percent group of appraisers, showed a balance in many areas of real estate, *e.g.*, investors at 24 percent; advisors/consultants at 27 percent; and brokers in real estate at 42 percent. Thus, once appraisers were removed from the mix of declared, primary professions, there were three large groups—brokers, investors, and consultants.

Under Question 1(c), the dominant country of domicile of respondents was the United States at 77

percent. The U.S. was also the geographic area of greatest concentration for those respondents with international dealings. (It is important to note that the data may be interpreted to mean that the majority of responses contained in this survey were related to dealings with an inbound foreign investor or company.)

The respondents were fairly balanced with respect to their representations of clients in international transactions. Of those responding, 39 percent indicated that they primarily represented purchasers of real estate; 34 percent primarily sellers; and 27 percent lessors or lessees. Given the fact that this ties most respondents to the geographic area of the United States, we can again surmise that the majority of respondents were dealing with U.S. and foreign investors or users of commercial real estate.

Questions 3 through 5 were more substantive questions on specific issues relative to the importance or lack thereof, of an appraisal/valuation report in the real estate decision-making process.

Question 3(a) addressed the issue as to whether the respondents agreed or disagreed with the importance of an appraisal being used in the (international) real estate decision-making process.

The survey instrument was based on a five-point scale of agreement with the stated questions. A response of 1 related to the strongest agreement and a response of 5 related to the weakest agreement: the authors interpreted a response of 1 or 2 as "strong agreement"; a response of 3 as "neutral"; and a response of 4 or 5 as "weak agreement."

Figures 1, 2, & 3 illustrate the responses as to how important the respondents considered the appraisal to be in the decision-making process. *Figures 1-3* also reveal an important distinction between appraisers and non-appraisers when considering the importance of a formal appraisal document in the investment decision-making process. Of all respondents to the survey, 78 percent were in strong agreement that an appraisal weighs heavily in the decision-making process; however, among non-appraisers, the percentage, was only 55 percent. (Among those respondents that are exclusively engaged in the appraisal profession, the "strong agreement" percentage was 92 percent.)

Question 3(b) addressed the issue of the importance of the appraisal relative to whether the clients put much weight on the appraisal or valuation report if they were not assured it was undertaken by an "unbiased" individual. In some countries the level of bias is not raised to the same degree and does not carry the same level of concern as is true in the United States under the Uniform Standards of Professional Appraisal Practice.

Question 3(b) concluded that 58 percent of the appraiser respondents answered that it was a very important element. Contrasted with this, 12 percent of all respondents indicated that the issue of bias was not one of focus relative to the use of the appraisal report.

The data also indicates that appraisers and non-appraisers alike feel somewhat strongly that an appraisal is most valued when it is performed by an unbiased third-party that is disconnected from the transaction. One distinction worth noting is that while only 18 percent of non-appraisers felt a weak agreement with the statement, 36 percent of those exclusively engaged in the appraisal profession had a weak agreement.

Question 3(c) raised the issue of how one might consider using the term "appraisal" or "valuation opinion," given that the term is bantered about in various settings, not always in a technical or formal sense, as one might associate the term with USPAP.

The general response from individuals as to the meaning of the term "appraisal" might mean an unbiased opinion of value. Or, the term "appraisal" might mean "what their broker undertook." It might be a Comparative Market Analysis (CMA), which is phraseology that is often utilized in the brokerage community. That is, the concept of an "appraisal" might be equated to a Comparative Market Analysis in some settings.

Results from the respondents to Question 3(c) indicated that the term "appraisal" covers a broad range. About 75 percent of the respondents indicated that the term is in fact used very broadly. Only a small percentage of respondents indicated that an "appraisal" was more strictly defined.

Question 3(d) attempted to focus on whether the appraisal was considered "one of the most important valuation tools" utilized. The survey results indicated that other tools might also be used. Approximately 65 percent of all respondents considered the appraisal a very important valuation tool; however, among non-appraisers less than 50 percent considered an appraisal as the most important tool.

Question 3(e) raised the issue as to whether the respondent and his/her clients would act in the purchase, lease, or disposition of real estate without an independent appraisal first being undertaken. Approximately 66 percent of all respondents indicated they would tend not to act without such an appraisal.

Question 3(f) focused on if the appraisers or valuers would act independently and whether they would be held to standards prescribed by government and/or professional organizations which regulate such appraisers or valuers. A strong response for regulation consisted of 82 percent in the first category, and only 9 percent in the least important category—category 5. (Obviously these results are influenced by the mix of the respondents, clearly dominated in this survey by U.S. appraisers/valuers.)

Question 4 was designed to tie with some of the issues in Question 3, but Question 4 looked to the majority of the respondent's transactions undertaken, either personally or by representing others, and if they relied on an independent appraisal. Of all respondents, 81 percent indicated that there was moderate to heavy reliance on a formal appraisal document; however, 12 percent of non-appraiser

Figure 1

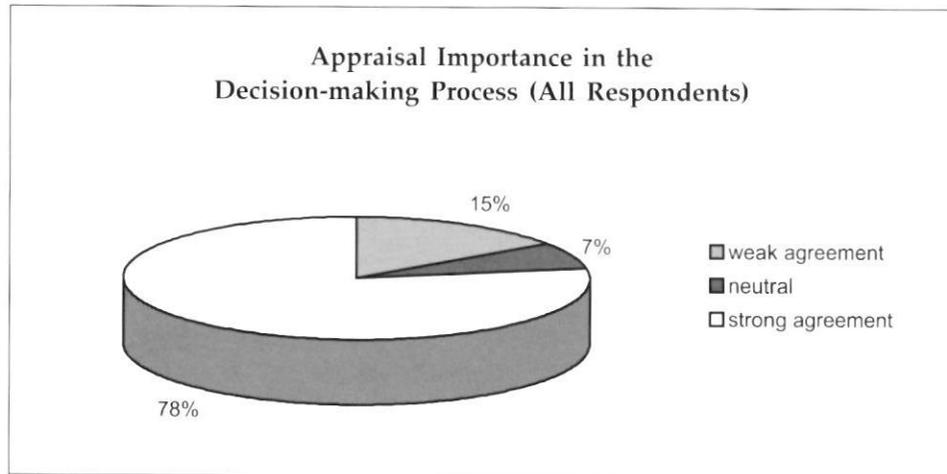


Figure 2

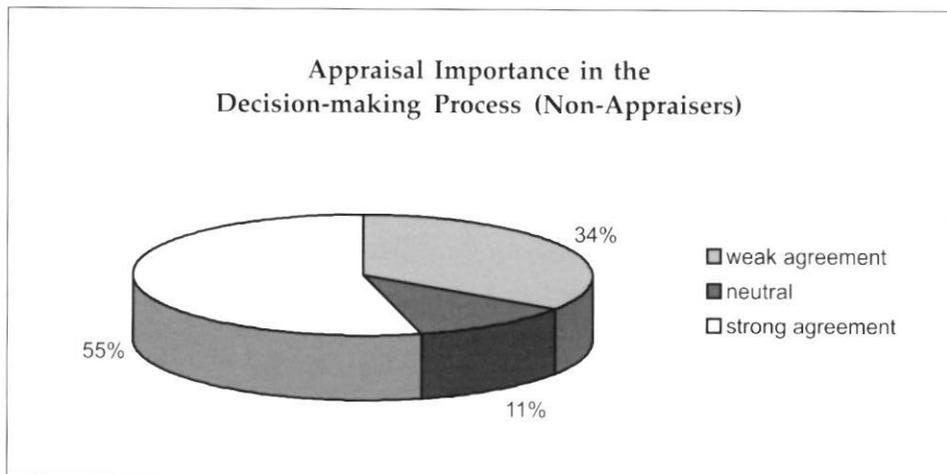
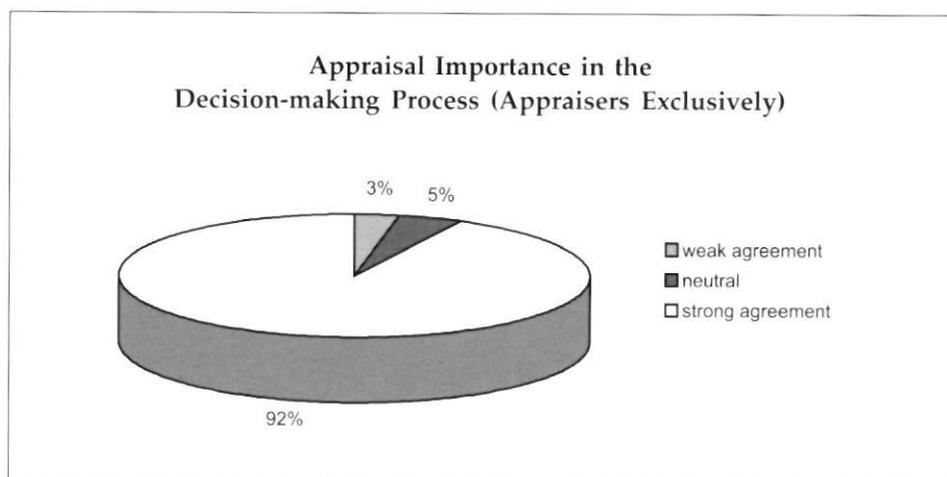


Figure 3



respondents indicated that there was no reliance on a formal appraisal.

Question 5 sought to reconfirm some of the earlier answers and to look for inconsistencies, as well as which tools were used to value the subject property—whether using an independent appraisal; the Income Approach; a “personal reaction”; cost basis for the property; market comparison; and/or other means.

The primary valuation tool indicated by 58 percent was the independent appraisal. This ties reasonably well with the prior responses; however, an exact tie was not possible, since there were different numbers of responses with the different questions.

Of the non-appraiser respondents, 35 percent indicated that an Income Approach or a Discounted Cash Flow model was the primary valuation tool, while only 31 percent of that same group considered an appraisal the primary valuation tool.

Figures 4 & 5 portray the primary valuation tool used by the various categories of survey respondents and the importance of the appraisal document.

Figure 4 reveals that among non-appraisal professionals there is somewhat of a balance between the valuation tools of the traditional appraisal, an Income Approach and Market Comparisons.

Figure 5 indicates that while the majority of respondents in each category deem the appraisal document important, there is a relatively large gap between appraisers and non-appraisers.

CONCLUSIONS

The practical conclusions that one might derive from this research certainly should commence with an acknowledgment that this research is not all inclusive, nor is it completely clear as to the conclusions that are noted and the summaries that were provided earlier. However, it is clear that there are a number of directions or inferences that seem to be present from the survey work undertaken on the responses relative to international real estate transactions, whether involving sellers, buyers, and/or lease interests by lessees or lessors. Specifically focusing on the utilization of and importance of appraisals or valuation reports, it seems that one could reasonably conclude with at least the following summary positions:

1. Appraisers in particular, but all potential users of valuation or appraisal reports, should recognize that not all users of reports (sellers, buyers, lessors, lessees, lenders, brokers, governmental officials, and so forth) are necessarily willing to accept (especially relative to international transactions) the appraisal or valuation report. It is often viewed as one of many tools that might be considered or utilized in many real estate transactions.

The degree of uniform standards that are applicable, enforcement of those standards (whether by governmental bodies or other professional organizations) and the “added value” that is present by the report, will determine the weight and importance of such valuation/appraisal reports.

2. Appraisers should also recognize that adhering to strong ethical standards, uniform standard requirements by governmental positions, and professional organizations, and consistency with unbiased positions, are crucial to the continued viable use of appraisals and those who perform them.
3. If appraisers cannot show an added value or benefit that they provide through their efforts, and the analysis that they provide through the (valuation) report, they will, very soon, not be in demand.
4. Without proper analysis and support, mere conclusions of value are unacceptable. Such “mere conclusions” further demean the potential worth of valuation reports and the profession of valuers/appraisers.
5. Those involved in international transactions, especially as to investors that are inbound in the United States, with citizenship or residency outside of the United States, tend to place less value on the appraisals because of the lack of uniform standards and/or the oftentimes biased positions that are found in reports from countries outside of the U.S., western Europe, and a few others.
6. Many appraisals and valuation reports are undertaken as a result of, and requirement by, federal and/or state laws, whether under the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA); the federal income tax laws (e.g., Internal Revenue Code of 1986, as amended, Code Section 170, for

Figure 4

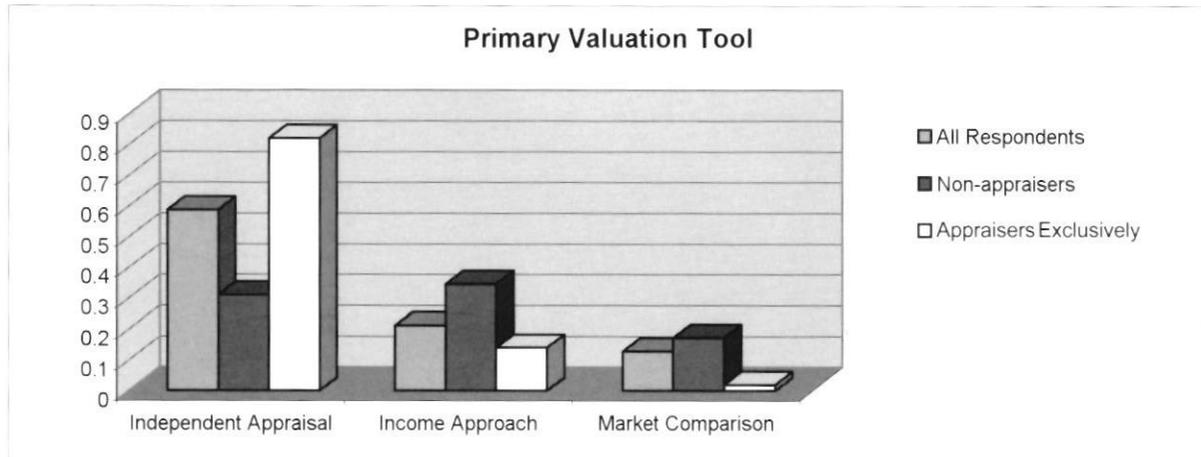
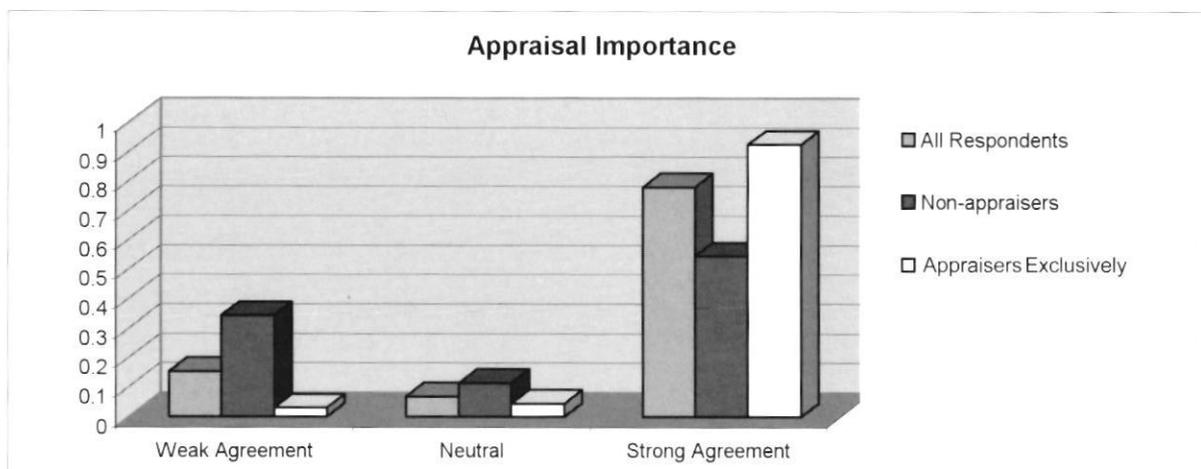


Figure 5



contributions to charities); or for other controls that are imposed on the appraisal. In many instances, an appraisal is the document that is placed in the file. In such settings, often the appraisers are sought by the users of the report, because of what is imposed on them to meet governmental standards, not for the value-added or benefit that the appraiser/valuer might provide. If such report is acquired for the reason noted, *i.e.*, to comply with the law, appraisers can expect to find a substantial diminution in requests for appraisal services when and if those laws are eliminated and/or reduced.

There is a clear tendency for those in any field to more readily value and place importance on their own work than is true with others who come in contact with such individuals and/or fields, but who are not in the same field. Such position was

certainly present in the survey, as indicated earlier, wherein appraisers consistently tended to value their positions and reports at a much higher worth than was true with the positions held by the entire populace of respondents.^{REI}

NOTES & REFERENCES

The authors acknowledge the support and input of students at the UNIVERSITY OF DENVER, Daniels College of Business, Burns School of Real Estate and Construction Management. Jose Ramirez and many other students have been involved with the Global Real Estate classes and Web site (<http://burns.dcb.du.edu/>). This data and our Survey work were crucial factors for this manuscript.

1. Ring, Alfred and Boykin, James, *The Valuation of Real Estate*, 3rd Edition, Englewood Cliffs, New Jersey; Prentice-Hall, Page 1 (1986). The authors addressed the need for appropriate valuation standards by stating: "... 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."

- 1a. See the Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (USPAP), the "Definitions" Section. See also *The Appraisal of Real Estate*, p.11, Appraisal Institute, 11th Edition, 875 North Michigan Ave., Chicago, Illinois.
2. *Ibid.*
3. See The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (USPAP), which Standards are constantly being revised.
4. Dorchester, John, Jr., and Vella, Joseph, "Valuation and the Appraisal Institute In A Global Economy: The European Initiative," *The Appraisal Journal*, Vol.72, January 2000.
5. *Ibid.*
6. See supra, Footnote 3, p.75.
See *Valuation 2000, Papers and Proceedings*, published in July 2000, at the Program in Las Vegas, Nevada. See also the publication by John A. Edge, "The Globalization of Real Estate Appraisal: A European Perspective," *Papers and Proceedings, Valuation 2000*, p.167, July 2000.
See also Edge, John A., "The Time Is Right For Global Standards," *Valuation Insights & Perspectives*, p.5, 2nd Quarter 2000. This article provides an excellent overview of what standards arguably exist now relative to valuation. It traced the history and development of the Uniform Standards of Professional Appraisal Practice (USPAP), including development by the Royal Institution of Chartered Surveyors (RICS), which initiated development of its Standards in 1974 and furthered the development through what became known as the *Red Book*. As explained by Mr. Edge in his article, there was also development of other standards, such as the *Blue Book*, which was "originally based almost word-for-word on the *RICS Red Book*; the *Blue Book* is now truly an amalgam of trans-European influences designed to comply with the EC Rules and Regulations."
Mr. Edge also indicated in his article the history of the International Valuation Standards Committee, founded in 1981 as a non-governmental organization. It is beyond the scope of this manuscript to examine this in detail. However, readers are encouraged to review the article by Mr. Edge, which is very informative as to the history of development of standards within the appraisal industry. Also included by Mr. Edge is a summary of the history of RICS.
EUROPEAN GROUP OF VALUERS: The European Group of Valuers of Fixed Assets is another group of international valuers looking to international standards for valuation reports. This group was established about 23 years ago and evolved from a merger with EUROVAL. The combined group is now labeled TEGoVA. For an examination of this area, and the application of these standards in many instances with much of Eastern Europe, see the site: <http://www.ara.net.md/tegova/standart/>
VALUATION STANDARDS: IVSC: This group examined international valuation standards under IVSC. See the IVSC site at: <http://www.ivsc.org>
7. See supra, Footnote 3, p.76.
8. See supra, Footnote 3, p.78.
9. *Ibid.* See also Ling, Hin, Li, "The Official Land Value Appraisal System Under the Land-Use Rights Reforms In China," *Appraisal Journal*, Vol.63, p.102 (January 1995). In the former state-owned property setting under China, the author indicated the reforms and concerns necessary there to attempt some valuation of realty. As noted in the article, part of the approach has been to have benchmark pricing to attempt to have a starting point for a country such as China, that previously had only state-owned realty. The author indicated a three-level approach in which a benchmark price would be established. Subsequently, there would be adjustments according to micro factors for the property, such as its location, etc. Finally, the parties involved as buyer and seller

would further negotiate, allegedly under the market conditions that then applied.

Additionally, see Wong, Kin Chee, "The Evolution of Land Valuation In China," *Appraisal Journal*, Vol.66, No.1, p.1. As Mr. Wong noted in this article, the problem in China is that the land was owned by the state; therefore, there was no basis for valuation on a market comparison for transactions. The author also noted the use of Residual Method for valuing property, a Comparative Method in major cities (comparing sales data), an Investment Method, a Cost Method, and a combination of techniques. The problems in China continue to focus on the availability and reliability of data to make the decisions.

MALAYSIAN VALUATION STANDARDS: An examination of this topic and the need for restructuring Malaysian standards under world valuation practices is indicated in their site: <http://www4.jaring.my/lppeh/standards.htm>

The new Malaysian Valuation Standards has 11 Standards and 2 introductory chapters; it addresses international valuation issues.

Pornchokchai, Sapon, "How to Standardize Real Estate Valuation Practices In Thailand," found at <http://www.area.co.th>. The author emphasized the need for valuation education and standardization relative to appraisal or valuation reports. The author also emphasized the need for standards for international practice when undertaking valuations. Standards of practice include what is to be part of the report, proper supervision and training, and information management.

Ryska, Jaromir, Drozen, Frantisek, and Ryska, Petr, "The Real Estate Valuation Profession and the Czech Republic," *Appraisal Journal*, Vol.67, No.4, p.345. In this article, the authors considered valuation issues in the Czech Republic, as well as valuation requirements for the party undertaking the valuation in the Czech Republic.

10. Friedman, Thomas, *Lexus and the Olive Tree*, published by Favras, Straus, Giroux, New York, New York (1999).

See also Zuckerman, Howard, "Global Real Estate Standards Will Dictate Future Access to Capital," *Capital Sources For Real Estate*, Warren, Gorham & Lamont (1996). This article emphasized the need for investors to have reliable data to make investment decisions.

11. When addressing the question as to international standards, John Ross of The Appraisal Institute responded that there were four significant sets of standards that were applied on an international basis, including the Uniform Standards of Professional Appraisal Practice (USPAP), the TEGoVA *Blue Book* European Standards, the Royal Institution of Chartered Surveyors *Red Book*, and the *International Valuation Standards Committee's IVSC Appraisal Standards and Appraisal Practice Guide*. Mr. Ross noted that these latter guides are coordinated somewhat with the International Accounting Standards Committee's International Accounting Standards.

Mr. Ross said: "We believe (and the capital markets appear to concur) that a critical need exists for standards that can be consistently applied globally, but which also recognize jurisdictional, cultural, legal, and data issues. To that end, we are working with IVSC, RICS, and others to further develop the IVSC Standards for international application."

12. Champness, Peter, *Approved European Property Valuation Standards*, (April, 1997), published by TEGoVA.

See also Graeme, Newell, "The Quality of Appraisal Reports In Australia," *Appraisal Journal*, Vol.LXV, No. 1, pp.92-95. In this article, the author examined the standards that exist in appraisal reports in Australia.