

Summary: 18 April 2013: Creating International Property Standards

1. Introduction by Johnny Dunford, RICS

The RICS has 100,000+ professionals in membership including many international members. As a body it has taken up a challenge by the World Bank to understand better the 50% of the world's wealth that is held in land. The concern is that "If you can't measure it, you can't manage it". With much greater internationalisation of finance and investment there is a need for a transparent and equal system that has an agreed set of standards internationally. Collaboration could make a real difference to how the global economy worked and how countries could compete.

The approach was to devise a high level methodology based on a few simple principles. Valuations were clearly important but there were even more fundamental building blocks such as unit measurement which needed to be made comparable.

There had already been a meeting in Washington with the World Bank and there was an emerging coalition of a number of international organisations such as APRIA (Asia), BOMA (Europe) PREDI (India) and Corenet Global (US occupiers Association). The aim was to use this coalition to steer the process and gain commitment and acceptance from governments and key agencies. The detailed work on the standards and principles would be carried out by independent experts. The aim was to get first drafts in place quickly.

2. Key points made in discussion

- The global reach was formidable and ambitious. Even something as basic as the use of the metric system might be involved. Land registrations and recording was still limited in many developing countries.
- The World Bank was interested because this would support development: The poorest person with a humble property has no paperwork. Basic comparable records would enable people to get loans from bank or to sell to others and avoid lenders using such gaps as an excuse not to support such communities.

- The variation in practice on measurement was often surprising: some countries include swimming pools; others count the overall future potential of a building.
- IMF has joined as a partner in order to underpin valuation and get rid of unethical measurement of property.
- Global clients need consistency to inform choices and decisions even if the detail of legal contracts were different. There were both local and international aspects. In one sense all markets and politics are local. Proposals will need to accommodate the local understandings For example in Helsinki the buildings are old and the size is based on the last person that measured it.
- The ethical dimension was relevant and linked to the position of many financial markets following the crisis. The overhang of debt was often linked to questionable valuations and relates to local lending. There might be vested interests who would not wish to see a new more accurate valuation.
- There will be a case for reporting dual measurements: one according to local standards and one according to a wider common base. This would help with recording information in accounts and might avoid someone being left with the “wrong” measurements. This was already accepted in changes to accounting standards.
- There were some fundamental issues on valuation: for example many buildings such as hotels should be valued according to the income it generates rather than an accurate measurement. This was why common principles across all sectors might be needed not just property.
- This was a huge cultural project. The RICS was to be congratulated on taking it on but would need to be realistic about what could be achieved.
- There source of the authority to establish standards and enforce compliance was unclear. The expectation was that the coalition partners would become trustees; arrange for the writing of the standards, the consultation and then the final document 2014. RICS was committed to enforcing the standards with its members.
- The RICS saw this as a necessary step even if “better late than never”. It would help UK industry and strengthen the RICS as a strong partner in sharing expertise.
- There was still a dark art in valuation but there was a good precedent in the work to create accounting standards where governments now adopted methods worked out by such partners. The market will drive change if it is needed. There will be a need also to explain new approaches to the wider public and to engage other professions such as architects.