Valuation and the Management of Real Estate in the Future

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Content

- Some trends in valuation and real estate management
- Relation of these trends to the present educational situation
  - case Finland as an example
- The importance of the field for profession and education of surveyors

Real Estate Management

- Companies are outsourcing their space
  - leasing and need of market information are increasing
  - more valuations
  - effective premises -> modern flexible buildings
  - old properties face problems
- Demand for RE Management services
  - better service level and know how -> professionalism
- IFRS/IAS
  - fair values required -> valuations
  - need to compare -> valuation standards (IVS)
- Real Estate funds and other RE vehicles increasing
  - needs for right values increase

Valuation

- Global RE funds, huge amount of money seeking place to invest
  - need for common valuation bases
- The globe is "shrinking"
  - need to harmonise regulations and practices
- Local conditions don’t, however, loose their impacts
- Population growth
  - poverty, slums etc.
  - more demand for specialities or simply for "good" areas in growing cities -> value increases
- Security of tenure
  - full compensation in compulsory purchase

Probable outcomes

- Valuation will largely be based on IT applications and data solutions, WEB based services SOA
- There will be valuers with different backgrounds, e.g. real estate, construction, business, law, geography, architecture, statistics, biology etc.
  - competition will increase
- On the other hand valuation especially in big cases will be more like a team work with different backgrounds, due diligence
- Education?
  - as an example changes in Finland

Equality and impartiality

- uniform practices
- New financial instruments also in RE markets
- new educational requirements
- More focus on RE in taxation
  - mass appraisal, GIS supported valuations
- Increase of information, registers -> IT based systems
- Need for real-time information -> IT based systems
- Need for fastness -> IT based systems
- Need to decrease costs -> IT based systems
- First Surveyor in Finland in 1633
- University level education at TKK 1908 (until 1930’s 3 after 5 years)
- Until 1972 the examination almost same for all surveyors
- Since 1972 the students have had many possibilities to take their own majors and minors, i.e. to specialise
- In 1993 the Degree Programme of Surveying was divided into two options: 1) Property Economics and Law 2) Surveying and Mapping Technology
- In 2000 the Degree Programme of Surveying was divided into two Degree Programmes

Surveyors in Finland / employer

DEGREE PROGRAM OPTION MAJOR

GEOMATICS
- Geoinformatics

REAL ESTATE ECONOMICS
- Land Management and Law
- Real Estate Management
- Urban and Building Economics

Institute of Photogrammetry and Remote Sensing
- 1 Professor

Institute of Geodesy
- 1 Professor

Institute of Cartography and Geoinformatics
- 2 Professors

About 500 Undergraduate Students
About 120 PhD Students
Annually about 40 master’s degrees (medium 6.5 years) and 3 doctor’s degrees (7 in 2003)

The Graduate School in Real Estate and Facilities Management KIITO
- KIITO incorporates knowledge of the real estate and construction fields, e.g. in the areas of facilities management, real estate economics, construction economics, heating, ventilation and air-conditioning engineering, applied information technology, finance and the national economy, but also land management.
- Further information on the Graduate School and related research activities can be obtained from URL http://www.hut.fi/Yksikot/Kiinteisto/sivut/kiito/kiito.htm
The members of the Graduate School KIITO

- Helsinki University of Technology TKK
  - Institute of Real Estate Studies
  - Laboratory of Construction Economics and Management
  - Laboratory of Heating, Ventilation and Air-Conditioning
- Tampere University of Technology
  - Department of Geoinformatics
  - Department of Construction Economics
- Swedish School of Economics and Business Administration
  - Department of Management and Organisation
  - Department of Finance and Statistics
- Turku School of Economics
  - Department of National Economics

Where do our graduates go?

- 2/3 of our students graduate (M.Sc. from the Dep. of Surveying) in Real Estate Economics (92% in 2003)
- Most of them have their major in Real Estate Economics and Valuation or in Real Estate Management
- Almost all of them go to the private sector in RE companies, RE consultant companies, construction companies, RE investment companies, investment analysis companies, RE service producers, or in public sector RE institutions
- Very few of them are interested in the Finnish Association of Surveyors and those in RE management are not calling them surveyors

Developing cluster of real estate

- produces and maintains our business, service and living environment
- about 70% of National wealth
- employs 500,000 Finns (over 20%)

Broadening the Study Object of Real Estate Studies

- 1700 Rural Real Estates
- 1950 Urban Real Estates
- 1980 Housing and Property Companies
- 1990 Real Estate Investment Companies
- 2000 (Real Estate) Stock Market / Financial markets

The Future?

- The technical matters are going to be “every person’s tools and knowledge”, and they are going to be global solutions - only a few real experts in those areas are needed and it’s not necessary to educate them in every country
- Information of human activities and preferences is always needed, also forecasting of changes
- RE is an important field in societies and there will be a lot of work even in the future - but are the surveyors and FIG able to compete in the area? – certainly not without education and subjects interesting those experts

Conclusions and general trends

- on-line access to data
- open access for every property owner to data concerning his own property
- intelligent data
- valuation based on WEB Services
Conclusion and trends, education

- Master level education and PhD possibilities
- Specialized generalist
- Responsible to society

Overall model for education

Significant elements in the valuation process

- Trustworthiness
- Reliability
- Accuracy
- Responsibility
- Professionalism

Thank you for your attention!