the First Symposium of the World’s Best Practices in Mass Appraisal for Asia
August 25-26, 2006, Bangkok, Thailand

Keynote Address:
Mr. Wayne Trout, President, IAAO and Mr. Gerry Grad, President, IPTI

Exhibition & Paper Presentations:

Workshop: How to Create A CAMA System: Start from Scratch
August 29-31, 2006, Bangkok, Thailand taught by Dr. Richard Ward, Toledo, Ohio, USA

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(BMR HOUSING TREND, 2006)

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สำหรับผู้ที่ต้องจ่ายเป็นนักลงทุนหรือนักพัฒนาที่มีอิทธิพล
FROM THE PRESIDENT

International Events in Bangkok in August, please come

Please note that The first symposium: the world best practices in mass appraisal for Asia will be held on August 25-26, 2006 followed by a 3-day lecture on how to construct a CAMA model in Developing Countries, a start from scratch, August 29-31.

The above event will be jointly hosted by the International Association of Assessing Officers (IAAO), based in Kansas City, USA and the International Property Tax Institute (IPTI), based in Ottawa, Canada.

The First Symposium on World’s Best Practices me 300 organizations worldwide to know valuation and real estate situation in Thailand. Our Journal can be freely downloaded from our web site as well. Our concept is that “Knowledge Is Not Private Property” essay competition on “Why should we valuation profession in Thailand.

Sincerely,
Sopon Pornchokchai, Ph.D.

THE OFFICIAL QUARTERLY JOURNAL OF THAI APPRAISAL FOUNDATION

3 From the President ประกาศ...แปลง
5 Real Estate Launches, Q.1/2006
6 Challenges on Housing Policies
8 Roadmap for Valuation Development in Developing Countries
12 Property Information Centre A Case Study of Thailand for the World
14 Learning from the 1997 Crisis
17 From Journals Worldwide

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สิ่งนี้อาจมาจากวิจารณ์ของ Agency for Real Estate Affairs โทร. 0.2295.3905

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ภาษา: ไทยและอังกฤษ

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ThaiAppraisal Vol. 5, No.3, May - June 2006
Agency for Real Estate Affairs (AREA) is the largest real estate information centre in Thailand resulting from continuing field survey since 1994. On April 21, 2006, AREA assessed and presented the performance of of the first quarter of the real estate markets in the Bangkok Metropolitan Region (BMR). Some 200 guests from the public and the private sectors were invited.

Launching of real estate projects is the most useful and realistic information to analysis and to forecast the future prospect of the markets. All the survey projects were carefully recorded and sent back to the developers to comments the results of the surveys prior to the releases.

The above figures are self-explanatory to the latest situation of real estate markets in the BMR of Thailand.
Challenges on Housing Policies

The following are parts of the Global Report on Human Settlements 2003: City Report: Bangkok prepared for the United Nations Centre for Human Settlements (UNCHS) by Dr. Sopon Pornchokchai. Dr. Pornchokchai was recently commissioned by the UNCHS again to prepare another report on Housing Finance in Thailand as well. Expectedly, it will be published in mid 2006.

Policy Assessment

1. Promotion of Walk-Up Apartments

Actually, the government should have promoted walk-up apartments like Singapore did. However, the initial target group should have been the middle and higher income groups instead of the poor. If the government first built walk-up apartments for middle-income groups who could afford more, what would have happened?

- Housing needs of middle-income households could have been met.
- This would have enabled a housing filtering process whereby households with better economic standings move out and lower-income groups move in by renting or buying. This would have saved a lot of effort in providing housing in the city.
- Flats would have had a good image. Until recently flats and walk-up apartments seemed “less privileged”, simply because they were known as places where lower-income groups lived. However, if at the beginning they had been built for higher-income groups, they would have had a better image, to the extent that even lower-income groups would have felt privileged to leave the slums.
- Revolving funds for further development could have been generated. As understood, middle-income people have a qualified affordability level. Therefore, the provision of housing would not have required subsidies. The government would still have had a revolving fund to build houses.
- A well-planned Bangkok would have been possible. If flats and walk-up apartments were widely accepted, housing would have developed vertically, so that land would have been used intensely, instead of in the endless, horizontal development seen today. The city would thus not be as spread out as it is today. As a result, the cost of infrastructure development would be minimized and problems would be more manageable.

2. Possibilities for Slum Relocation

Slums consist of substandard housing and environments which should be replaced with decent housing for the people. Even slum dwellers think that they would want to move if they had an opportunity (Pornchokchai, 1992: 141-142). A problem appeared in the past, namely, unplanned relocation / eviction schemes that made many people feel relocation is an inappropriate strategy. In reality, relocation is inevitable, as public infrastructure is developed to improve the city as a whole. The economic pressure for intensive urban land uses as the city develops is another factor in slum eviction. Hence, a proper relocation program is an essential tool to alleviate the situation.

Some planners think that slum dwellers cannot be relocated far from the city, resulting in no concrete action apart from a rather laissez-faire policy of “haphazard” slum improvement. Actually, long-distance relocation would be feasible if an efficient transport system could be provided. For example, with an intercity train travelling at 60 kilometres per hour, dwellers could even be relocated to Ayudhaya, the ancient city north of Bangkok.

People in the informal sector can find and change jobs more easily than those in the formal sector. White-collar workers may need to work in the city centre because few jobs are available in suburban neighbourhoods. However, unskilled dwellers can find alternative jobs in the informal sector because they do not need to stay in any particular type of work.

Those who continue in their particular activity can change workplaces. It has been observed, for example, that some workers still earn a living as construction workers at different sites. Some taxi drivers change their garage to a nearby area. Some vendors still trade in the market place closest to their residence.

With a good transport system, many slum dwellers could move to the suburbs. Often slum dwellers remain “untouchable” due to the belief that they cannot live far from their workplaces in town. This hampers city redevelopment. It should be mentioned that non-slam dwellers in suburban housing estates have to leave their homes at 5 a.m. and arrive back after 7 p.m. on crowded buses. This situation is unsatisfactory. But since most people have to tolerate it, slum dwellers are no exception.

3. The Problem of Land for the Poor

It is commonly stated that when slum dwellers own a plot of land on which they can live, they are provided with security as well. However, this is often an unaffordable option for many poor and may lead to their eventual eviction by market pressures. Some people may think that house renters, for example, are not secure because they do not own a house or land. However, security of tenure does not necessarily imply land ownership. Rental housing is an alternative for those who cannot afford a house of their own, with security being provided by the regular payment of rent. Since renting a housing unit is cheaper than buying a house, rental housing for slum dwellers is another consideration.

4. Land Sharing

One of the most innovative and successful programs to help solve the eviction problem is land sharing. This is where a portion of land in the existing slum is sold to the dwellers so that they can build a new community through a house reconstruction process. However, one crucial problem - default in payments - remains after the initial success of land sharing.

As of June 1987, the majority of landowners in three land-sharing projects had not paid their installments. If this is not resolved, the success of these projects will be diminished and the security of tenure of the resident will be threatened. The crux of the matter is the concept of land ownership.

A large number of slum dwellers are relatively poor. Land sharing requires slum dwellers demolish their old houses, rebuild new ones and purchase a plot of land. But a significant number of slum dwellers cannot afford to do this even though they may state that they can.

Another serious concern is political will. It is accepted that the existence of land sharing projects is mainly based on the special efforts of high-ranking government officials. If there were no such involvement, land sharing could hardly have come into existence (Angel and Boonyabancha, 1985). These projects seem to be the exception rather than the rule.
Thus, it is rather difficult to apply land sharing to the majority of evicted communities if strong political involvement cannot be ensured.

It cannot be expected that providing slum dwellers with a tiny plot of land makes them ‘safe’ forever. Housing conditions are dynamic, varying according to changes in people’s economic status. That is the reason why many families in land-sharing projects sell their plots (which are sometimes the result of a hard-won struggle under eviction pressure) and move away.

5. Don’t Relocate the Poor Together
A single type of housing cannot respond to the needs of all families. If different levels of affordability are accepted as a fact of life, it is not necessary to transfer all the dwellers in a community together to a new area. In low-income public housing projects, for example, different housing types remain a problem. Thus people should be able to move separately to different types of shelter according to their level of affordability. A community should not necessarily move together to one single location.

There are two pieces of empirical evidence on this issue. In the land sharing projects discussed above, only a minority of the original residents participated. The rest disappeared because of fires that demolished the slum, or they had given up on the struggle to stay, or they could not afford to stay there any more. Many could, in fact, find alternative shelter.

The other piece of evidence is related to the eviction of the Rachadapisek community in May 1987. During negotiations, the community chairman eventually submitted a proposal to let the dwellers move in small groups of five to ten families to NHA-improved slum communities instead of all together to a remote relocation site (Pornchokchai, 1993).

Thus, moving separately to find alternative shelter is in the nature of slum dwellers. It does not make sense to try to keep all of them together in one particular project.

Policy Questions
A few policy questions exist that need to be addressed so that better housing policies can be formulated to benefit slum dwellers and the general public.

About the Betterment of Slums. That slums disappear is due to the betterment of the economy. If the economy is bad, even a thousand ‘angels’ cannot help much except at the margins. This implies that most of the budget spent is for immediate needs and would not affect substantial changes in slums. The benefits of these slum improvement programs must be assessed closely on financial, socio-economic and political aspects.

NGOs. Case studies and detailed explorations of NGOs working in slums over the past two decades must be assessed clearly to eventually pave way for better services for slum dwellers. Surveys should be conducted to track the changes in the lives of slum dwellers in terms of their social status, political achievement, and psychological changes over time.

The Fifth INTERNATIONAL WORKSHOP, August 29 – September 1, 2006, Bangkok
HOUSING THE POOR THROUGH THE PRIVATE SECTOR
Organized by Thai Appraisal Foundation and Thai Real Estate Business School

In India, Mother Teresa graciously helped the poor in her whole life, providing relief to thousands of people. However, slums still exist in Calcutta and every other major city in India. Even if there were a thousand Mother Teresas, slum problems would not fundamentally be solved. In fact, the situation in slums typically worsens over time. However, some countries have experienced a shrinkage in the number of slums because of the contributions of the private sector.

Come and exchange ideas and experiences with experts rich with international experience and come away with new solutions for your country’s low-income housing policies, penetrate market niches in local contexts, and respond to the needs of the poor without wasting state resources. Space is limited to 40 participants.

SEE DETAILS, LISTEN TO PARTICIPANTS’ VOICE AND REGISTER ON LINE AT:
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Valuation is a tool for good governance and transparent business activities which will bring trust amongst the parties involved. It is crucial for the planning of national economic development as well. The 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 Thailand valuation has developed recently. In 1985, there was only a dipoma course on valuation in a vocational training college. In 1986, the Valuers Association of Thailand was established. The development of the valuation profession was, however, slow. In 1998, after the 1997 economic and real estate crisis, the Securities and Exchange Commission of Thailand (SEC) employed an international group of consultants to write a plan for the development of the valuation profession in Thailand. At that time Pornchokchai (1998) also proposed possible measures to standardize the valuation profession to the SEC, in an effort to upgrade the profession in Thailand.

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

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 Government of Vietnam’s Ministry of Finance to prepare a Road Map for the Development of a Valuation Profession in Vietnam. This implies that valuation in developing countries needs to be upgraded. This is the starting point to commence this paper. The author hopes that this paper will help encourage people involved to help establish the valuation profession in developing countries. Vietnam can be used as a case in point to commence the process.

2. Review of Opinions

In late 2005, the Thai Appraisal Foundation (2006, 7-14) interviewed several leaders in the international valuation community in respect of a proposed Road Map for the Development of Valuation Infrastructure in Developing Countries.

On the whole, the growth and development of the valuation profession depends largely on the market needs of the profession. If the market for properties is to be expanded, the profession will need to be developed to meet the need. 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.

All the answers agree on some basic same understanding that the public sector (related government authorities) 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.

Related legislation, regulations and guidelines are important to the existence and development of the valuation profession. First, we need to establish a sound environment for the profession. Second, we need to establish and standardize the profession. Third, we need to have the mechanism or tools to develop the profession in terms of education and controls.

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

The opinions on CPD are similar. The wealth of the opinions lies in the suggestion of subjects to be addressed in CPD programs. There is an immediate need to set rules to implement CPD and deal with its hourly requirement. There is also a need to keep the study intensive. 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 going for an annual re-union, with activities that may have no depth.

It is to require the following:

- An infrastructure to firmly develop a database on;
- Data on property transactions and others must be disclosed;
- Standard format of data collection and maintenance is required;
- Available for uses by all (not only for valuation but by other businesses or activities);

Dr. Pornchokchai was invited by the World Valuation Congress (WVC) to prepare and present the above paper at the 2006 WVC in Kuala Lumpur during May 9-11, 2006. The following is a part of the paper. Dr. Pornchokchai was also appointed by the Ministry of Finance in early 2006 to prepare an in-depth study on the roadmap for the development of valuation infrastructure in Vietnam as well.
3. Areas for 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

In considering the examinations needed for the certification of valuers, it is proposed that 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.

3.2 Professional Controls

In general, there should be measures to help prevent corruption of and 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.

The valuation council should be led by the government, but would represent or work for the people as public servants. Council members would be from the industries (professionals, associations, academicians and other acceptable persons). In addition, the council should conduct examinations, solve disputes, and possibly undertake negotiations in respect of re-valuation, business arbitration, court, and the like.

3.3 Valuation Education

Each valuation organization should have a tangible plan to allocate a certain portion of its resources for the education of its staff members. Generally speaking, the emphasis of education should be on formal education in the universities. In other words, education should be at university-level rather than a college-level. There should be time in the field as an integral part of valuation education, where the trainees are guided in the conduct of valuations for different types of properties and are able to practice their skills. Programs can be a one-year graduate diploma for those with no first degree in valuation. Valuers must be mature. They can be from any related discipline field. A one-year graduate diploma program should be adequate for them to be a practising valuer.

3.4 Property Information Centre

There should be public investment in property information centres, but on a largely self-sustaining basis. Although the data and information for valuation is an integral part of professional valuation, it must be understood that proper coding and availability of data is integral. There may be no need to have a complete set of district information to value only one piece of property.

Information on transacted property prices must be publicized and transparent. The disclosure of transacted prices will not violate business confidentiality in as much 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.

4. Related Recommendations

4.1 International Coordination

At present, there is no single internationally-accepted organization which brings all of 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).

Another real estate–related international organizations with which we should have some affiliation is FIABCI (International Real Estate Federation), 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 provide rich knowledge and networking rewards to attendees.

4.2 Educating the Public

In order to strengthen valuation knowledge in a developing country, there needs to be strong and continuing campaigns to enable government officers at different levels, the private sector and the general public (students or people) to achieve an understanding of valuation techniques so that they can conduct valuations 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.
หลักสูตรสำคัญของโรงเรียนธุรกิจของสิ่งที่ไม่รู้เกี่ยวกับไทย

<table>
<thead>
<tr>
<th>เลขที่</th>
<th>และการประเมินค่าสิ่งที่ไม่รู้เกี่ยวกับไทย</th>
<th>จำนวนรวมร้อยละ</th>
<th>ร้อยละรวม</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP100</td>
<td>การประเมินค่าสิ่งที่ไม่รู้เกี่ยวกับไทยพื้นฐาน</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>AP102</td>
<td>การประเมินค่าสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>AP110</td>
<td>การประเมินค่าสิ่งที่ไม่รู้เกี่ยวกับไทยภาคภูมิภาค</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>AP111</td>
<td>การประเมินค่าสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>AP130</td>
<td>การประเมินค่าสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>RE100</td>
<td>รวมข้อมูลภายนอกสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>RE120</td>
<td>การวิเคราะห์ความเป็นไปได้ทางการตลาดโครงการสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>RE121</td>
<td>การศึกษาความเป็นไปได้ทางการเงินโครงการสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>RE123</td>
<td>เทคโนกราฟิกการเงินโครงการสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>RE124</td>
<td>การวิเคราะห์ผลิตภัณฑ์สิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>RE131</td>
<td>การขายสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>RE141</td>
<td>การลงทุนและบริหารสิ่งที่ไม่รู้เกี่ยวกับไทย</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

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- Bangkok Metro Administration
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- Provincial Electricity Authority
- Siam City Bank
- SME Bank of Thailand

IN-HOUSE TRAINING

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ถิ่นแจ่ม อดีตที่นายกรัฐมนตรี โอกาสนำอาหารและเครื่องดื่มบรรจุสิ่งที่ไม่รู้เกี่ยวกับไทย

โทรศัพท์ 0.2295.2294 หรือ Email: info@trebs.ac.th
Property Information Centre
A Case Study of Thailand for the World
Presented by Dr. Sopon Pornchokchai for 2006 FIABCI Congress

FIABCI which is the world’s largest real estate federation will have its annual congress in Thailand. Dr. Pornchokchai as the Vice President of FIABCI Thailand and as the Chairman of the Conference Committee will present a paper on property information and will be the chairman of the Valuation Session at this Congress. The following is some part of his presentation.

Need for an information apparatus
This is a major policy recommended by all beneficiaries involved. In addition, experiences from other countries also indicates the need for information apparatus. To build a sustainable housing model, reliable information is needed for planning and development of housing projects as well as for policy formulation. A practical apparatus for this end would be the establishment of a property information centre which would have critical functions with respect of the collection and analysis of property market information and, more importantly, in respect of dissemination of the intelligence produce by the unit. Such an apparatus would help government to formulate proper, timely and effective plans and policies to deal with fluctuating property markets for the benefit of the population.

The responsibilities of such a centre would focus mainly on routine and ongoing data collection and processing. Ad hoc research and economic/statistical modelling would be additional functions to help keep close watch on the market. Training programs and seminars would be among major tasks that could be included in the centre’s program. From a budgetary point of view it would be expected that a national centre would be financed and controlled by the government so that its output can be accessed directly by government policy developers and planners. A strong government commitment would be an essential prerequisite for the establishment of a property information centre.

Dissemination of property data and education
Property data tends to be difficult to collect because of inaccessible sources and/or secretive custodians. Data may also tend to be inaccurate as a result of various motives of those reporting prices, including attempts to minimise tax by reporting lower prices, and attempts to maximise access to finance by reporting higher prices than actual levels. These problems can best be dealt with by freeing up the process of disseminating property data.

A major concern regarding dissemination of data for the public is that these would be seen as a public asset which should be freely available as required. The provision of this type of data should be seen first and foremost as they public servants and any objective to profit from dissemination should be a secondary consideration. An important consequence of better educating market participants through data dissemination is that it will be more likely that the market will operate on the basis of arm-length transactions in the future, leading to increasing levels of market maturity and greater market efficiency.

There are several significant advantages available from the release and dissemination of data. One example is that, through the integration of data drawn from different sources, verification testing of data can be facilitator, leading to distinct improvements in data quality overtime and also to potential for the development of reliable and useful economic market models which can support government policy formulation. This would be a new endeavour in connection with recovery of the real estate market and could lead to a situation where it would be feasible for government assessed values to be assessed on a mass appraisal basis leading to more consistency and fairness in levying taxes and charges based on official motives.

Materializing An Information Centre
There is clearly substantial and significant potential for establishment of a real estate information centre to meet the needs of Bangkok in the near term and in Thailand in the future. One should recall that during the boom period, the value of real estate development each year was over 150 billion Baht or US$ 3,600 million. At that time the author was acting as a consultant in examining the feasibility of establishing a Real Estate Information Centre and the estimated cost of its establishment was 96 million Baht or US$ 2.29 million (National Real Estate Information Centre, 2001) which represents only 0.064% of the value of one year of contemporary real estate development.

A weakness of the existing property market procedures in Thailand is that transaction prices and the government’s assessed value, used for calculating charges on property transfers, are usually very different. Some people are very reluctant to declare the actual price paid for reasons noted previously. There is also a widely held view that transaction value and related details should be considered as private and confidential information which should not be released to the public at large. Consequently only limited sources of reliable information can be found, and then only with great difficulty.

Strong government commitment is needed to deal with this problem. Pornchokchai (1997) wrote a public letter to Mr. Chuan Leekpchai, the Prime Minister on November 17, 1997 to suggest solutions to the real estate crisis, including the establishment of a property information centre. However, even five years after the economic downturn and the accompanying downturn in real estate markets in Thailand, a public real estate information centre is still not been established. Many of the benefits of such a centre have already been discussed but it should be stressed that without such a centre every investment in real estate is made partly in the dark. Without the information essential for well informed and reliable investment decisions, future serious failures of the property market will be unavoidable.

The potential benefits available from such a centre should be self-evident and should justify its establishment. If it proved to be effective and useful, it would gain lasting support and can provide valuable benefits to the real estate research industry as a whole. In support of establishing the centre we might consider the case of the Malaysian National Property Information Centre, which began as a small organization and has expanded gradually over time. An interview with Mr. Abdullah Thalith Md. Thani, Director of the organization in late May 2002, revealed that the current annual budget for the Malaysian Centre was 3 million ringgit (US$ 1.24 million) per year and the staffing level was 100 staff members. However, by the end of 2003, it was estimated that there would be 257 staff members and that the annual budget would be 7 million ringgit (US$ 2.9 million) (Chantranukul, 2003: 11). Critical functions that the Centre have focused are.

Knowledge Is Not Private Property
property market information. It has also operated as a major property market information unit. The unit has provided help for the government to construct proper, timely and effective plans and policies to tackle property market issues for the benefit of both the public and major property investors.

The activities of the Centre concentrate mainly on routine ongoing data collection and analysis. However, ad hoc research and economic/statistical modelling which has allowed a close watch to be kept on the property market are among essential functions as well. Training and seminars are also among major tasks undertaken by the Centre. In relation to its budget, the national Centre is funded and directly controlled by the government in order for its information to be immediately available to policy decision makers. Experience in the U.S.A., Malaysia and many other countries supports the view that this type of activity is an essential function to support the efficient operation of property markets.

The role of private information providers can be complementary. However, in the case of information provided by real estate marketing companies, it would be necessary for the data to be examined very carefully due to the fact that they may attempt to massage the data by injecting bias to meet their own market objectives. This raises the issue of the possibility of conflict of interest between brokers or agents and information providers as a result of the significant differences in their objectives. Target groups which would be served by these Centres would be government, private investors/developers, financiers, property professionals and the general public. If data and analysis provided in this way proves to be valuable, it would be possible to recoup some costs by supplying it on a sale or subscription basis.

Photographed taken in the 2004 Congress in Houston.

Dr. Sapon Pornchokchait participated at the 2000 FIABCI World Congress in London. In 2002, he joined the Congress in Kuala Lumpur. Then, he went to Houston for the 2004 Congress. He brought Thai Appraisal Foundation to be the principle member of FIABCI. He himself is also the FIABCI Representative to the UN-ESCAP. For the 2006 FIABCI Congress in Bangkok, he is the Chairman of the Conference to coordinate all the forums.
Learning from the 1997 Crisis

From the Appraisal Journal, Appraisal Institute, USA

Dr. Sophon Pornchokchhai, Dr. Ranjith Perera and Dr. Karl E. Weber wrote this paper and printed at the Appraisal Journal of Winter 2006, p.77-85. The following is a part of that paper.

In terms of self-analysis, large developers, similar to small developers, realized the need for knowledge and skills in business related areas, which proved virtually more crucial than construction-related know-how. Finance, marketing, management, and economics were named among the most urgently needed areas of specialization. Other knowledge required included skills germane to the construction industry such as design and project development.

The Minor Leagues: Incidental Players

Small developers produced a large number of housing units of low value in the years between 1994 and 1997. Together, small developers constituted a market share as high as 76%. More of the housing market importance next to attributed to these low-end projects. In the press, the conduct of small developers was often described as greedy and over-optimistic. Unrealistic expectations shrouded their lack of experience and the situation was compounded by the relatively easy access to cheap credit.

Our survey shows that only a very small percentage, 5%, had any experience in housing development prior to the boom period. Almost one-third (32%) had entered the market during the heyday of the boom. Close to two-thirds (63%) had entered the market five years or less before the bust (1993 to 1997). Many among the latecomers entered the market because they felt compelled to jump onto the bandwagon, afraid to miss an opportunity for high profits.

Most of the small developers (91%) had no direct experience in the real estate market. About 38% percent of this group had some experience in a related field such as construction. The rest were operators in the agricultural, manufacturing, service, or industry sectors. A few were owners who had been successful in their own line of business, which was not related to real estate development. Only 9% of small developers had direct real estate development experience. The real-estate boom seemed to be an opportunity for people of all backgrounds to step in, perhaps overconfidently, given their experience and success in other business sectors. The fact of the matter though was that most lacked sufficient technical know-how and analytical skills to even be able to digest housing market information.

One significant factor underpinning the expectation of high returns in the housing industry, as perceived during the boom period, was the availability of land. This is something that a good many small developer had control over, because of small land holdings in their possession. By comparison, relevant background, related knowledge, and prior experience were deemed of minor importance next to land holdings. This neglect proved a serious weakness and severe constraint. Exacerbating the prospects of failure was the fact that the majority of the small developers launched projects valued at more than Baht 100 million, expecting higher return from bigger financial outlay. Without sufficient experience in handling projects of such size, they ended up failing themselves as well as contributing to the market crash.

Views on Responsibility and Root Causes

While the results of our survey show that the ‘minor league of incidental players’, or the small developers, should shoulder a comparatively greater share of the blame for the 1997 market collapse, the reactions volunteered by respondents of both groups reveal that the developers identify themselves as the major culprits. This was clear particularly in the case of small developers, as more small developers were in favor of external regulatory measures than among the large developers. Financial restraints and limitations of the number of developers were not as favored as corrective measures by both small and large developers.

From the viewpoint of both groups of developers, it was their clientele of speculators who created unrealistic or plainly virtual demand, prompting the developers to supply ever more housing units to the market. Sharing the view of large developers, small ones despised that financial institutions and the government had given hardly any warning signals and did not introduce regulatory measures to control loan provision. Small developers also concurred with the large ones in that knowledge and skills in finance, marketing, management, and economics were critical to development success. Knowledge of the construction industry was seen as supplemental. Some of respondents (14%) proposed setting-up a property information center.

Both groups largely agreed that the entry of developers with superficial knowledge of the housing market, no prior experience in project planning and implementation, and a flawed understanding of marketing contributed to the market’s failure. The result was the production of housing units in gross excess of market demand and of units ill-suited to consumer preferences. This conclusion applies especially to small developers, but the culpability of large developers cannot be dismissed. In fact, many developers of both the large and small variety recognized their own shortcomings as part of the cause of the market’s collapse.

Among other causes of failure was the motive of profiting from short-term gains, over-confidence in sustainable boom, and ignoring warning signals. Their cumulative effect materialized in an over-saturated housing market, with transactions occurring at diminishing volumes and prices. This resulted in private-sector housing developers with low liquidity and horrendous debts and insolvency. The total resulting debt was about one-seventh (approximately 15%) of the total amount of non-performing loans with which financial institutions were saddled in 1997.

Potential Adjustments

In terms of corrective measures, respondents ranked a reduction of loan interest rates for buyers first. Other major strategies include reductions of tax and stamp duties for both sellers and buyers at the point of transaction, expansion of loan ceilings to between 90% and 100% of transacted prices, extension of loan repayment periods beyond 30 years, and tax reduction for individual as well as corporate buyers. Once implemented, developers anticipate that the proposed measures would help rehabilitate the housing industry.

Cognizant of their own deficiencies in terms of professional knowledge and expertise, developers stressed the importance of personal risk control. Underscoring this resolve for self-control, developers recommended that a property information system be established. Its major functions should be...
monitoring and distribution of market information, particularly to newcomers in the industry.

To gauge the reaction of the developers to various corrective measures, several possible strategic interventions were suggested. Developers received the establishment of a national property development bureau with little enthusiasm. Strategies not much favored included implementation of escrow accounts, establishment of property funds, and limiting the number of developers operating in the market. In contrast, developers, as a group of beneficiaries, preferred strategies targeted buyers, they would really benefit developers for increased sales would produce increased profit. Obviously, developers preferred enabling and facilitating strategies to regulatory measures.

Conclusion

The lesson delivered to developers by market failure seems to have been accepted. Through their own feedback, the essentials for becoming a successful housing developer are considered to be professional competency in business management and economics, skills in project planning and construction management, capability to analyze market conditions and forecast trends, knowledge about politics, banking, taxation, and awareness of environmental impact.

Lessons from the crisis could be based on wishful thinking much more than the ability to recall accurately the situation prior to 1997 and to follow-up with real changes. Instead of giving the private sector a free hand to operate in the housing market, the government sector should assume a regulatory as well as facilitating role. It is, therefore, recommended that an organization be established to regulate the operations of property developers. This is envisaged as a property development bureau whose functions would be supported by a system of data collection and analysis of housing market activity. It would be geared to set up an enabling housing policy regime for the country-at-large. Its function should include the authority to scrutinize the operations of developers, to disseminate market information, and to ensure the transparency of the sector as a whole. It is imperative that such an agency exist to assist the industry, protect homebuyers, and to supervise sellers, thereby safeguarding the industry from future financially debilitating calamities in the years to come.

1: Vol. 5, No. 3, May - June 2006
2: 14 - 15
3: 16 - 17
4: 18 - 19

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สัญลักษณ์ ThaiAppraisal, ลงโทษที่นี่

มูลนิธิเป็นองค์การตั้งในไทยในปี พ.ศ. 2549 ซึ่งจัดทำขึ้นภายใต้กฎหมายว่าด้วยการส่งเสริมการลงทุน เป็นองค์การนิติบุคคลของรัฐ ซึ่งมีเป้าหมายที่สำคัญในการสนับสนุนการใช้ความรู้เพื่อการพัฒนาประเทศ มีชื่ออย่างเป็นทางการว่า "ศูนย์การวิเคราะห์การลงทุนด้านธุรกิจไทย" ตั้งอยู่ที่ 5 อาคาร 3 ชั้น ถนนวังเบญจมบุรี แขวงคลองประดิษฐ์ เขตปทุมวัน กรุงเทพฯ 10340

สนับสนุนโดย คุณแฝงอินทิชา เท่าประสาน สนับสนุนโดย คุณอภิชัยไทย

ข้อตกลงเป็นไปโดยทบทวนตลาด

โครงการส่งเสริมที่ปรึกษาจิตเวช ที่ปรึกษาจิตเวช Marketing Intelligence

วันที่ 1: วันพุธที่ 19 กรกฎาคม 2549

การวิเคราะห์ตลาดและสภาวะการค้า-การวิเคราะห์ข้อมูลระดับภาค: ราคาระบบและแนวโน้มการวางแผนการตลาด แนวโน้มการผลิตภัณฑ์และบริการ ประเภทและระดับการจัดการ ตัวเลขผลิต ช่วงเวลาที่เป็นผลการสำรวจและแสดงวิธีการสำรวจและ เน้นการวิเคราะห์ความข้อมูล ระยะเวลาในการสิ้นสุดผลิตภัณฑ์: ขั้นตอน การกำหนดมูลค่า วัตถุประสงค์ การสำรวจข้อมูล การจัดเตรียมแบบสอบถาม การเก็บ ข้อมูลการสนับสนุน การประเมินผลการสำรวจ และข้อมูลการสื่อสาร

แนวคิดเกี่ยวกับวัฒนธรรม: ตัววัดที่น่าสนใจ ตัววัดการ กระจาย สิ่งที่เป็นประโยชน์ สิ่งที่เป็นประโยชน์ในชีวิตประจำวัน และส่ง กระทบ การวิเคราะห์ข้อมูลถูกต้องและเป็นไปตามเป้าหมาย ผลการวิเคราะห์ความ แนวประมวลผลข้อมูล การวิเคราะห์การตัดสินใจและการจัดเก็บข้อมูล การใช้โปรแกรมสำหรับ SPSS วิเคราะห์ข้อมูล: การ ทดลองใช้โปรแกรม SPSS ในการวิเคราะห์ข้อมูลที่มีอยู่ การทดลองจัดการข้อมูลที่มีอยู่

วันที่ 2: วันเสาร์ที่ 22 กรกฎาคม 2549

การวิเคราะห์ข้อมูลและแนวคิดการวิเคราะห์ SWOT: Analysis: แนวคิดในการ วิเคราะห์ข้อมูลและแนวคิดการวิเคราะห์ SWOT: (Strength, Weakness, Opportunity, and Threat) สำหรับการวิเคราะห์โครงการ การวิเคราะห์และกรอบความเป็นไป (Qualitative Analysis): การวิเคราะห์แบบสอบถาม ข้อมูลความคิดเห็น การวิเคราะห์ข้อมูลที่มีอยู่ ความคิดเห็นของผู้บริโภคและโครงการวิเคราะห์ข้อมูล: วัตถุ องค์การวิเคราะห์ ลักษณะที่เป็นประโยชน์ ข้อมูลข้อมูลที่มีอยู่ และการวิเคราะห์ องค์การวิเคราะห์ ความเป็นไปในการวิเคราะห์โครงการ องค์การวิเคราะห์การตลาด กฎหมาย การเงิน และภาพรวม การ สำรวจข้อมูลทางการตัดสินใจ การออกแบบงานและการทำตัดสินใจ การตัดสินใจที่มีผลต่อ การวางแผนการจัดการ การวิเคราะห์สภาพการ การวิเคราะห์สภาพพื้นที่ ความเป็นไป ได้ทางการตลาด การจัดทำโปรแกรม การสัมภาษณ์ผู้ต้อง
California has enacted legislation meant to ensure that commercial aircraft are valued uniformly throughout the state with the passage of AB964, a designated “lead” county assessor will assume responsibility for calculating the value of an air carrier’s fleet in the state. Under this system, a commercial airline need file only one property statement with its lead assessor. Previously, the airline was required to file in each county in which it had a presence.

The law also specifies the formula that will be used for value calculations. Effective for the fiscal years from 2005-2006 through 2010-2011, the value for individual aircraft will be based upon the lesser of the historical cost basis or the price listed in the Airliner Price Guide.

Once the lead assessor has determined the values, they must be transmitted to assessors in the other counties where the air carrier operates. Each county assessor, however, is responsible for assessing and enrolling the taxable value of the aircraft in his or her jurisdiction.

Responsibility for airline property audits has been centralized with the lead assessor as well. Every four years, the designated assessor will field an audit team made up of personnel from one to three counties. The team’s findings will be used by all counties that would otherwise have conducted their own audits.

The law providers that a lead assessor will be chosen for each carrier by the Aircraft Advisory Subcommittee of the California Assessors Association after input from the carriers.

Despite the recent publication of articles in peer-reviewed real estate journals, the application of the CV technique to real estate or real estate damage quantification is unlikely it be reliable or quantitatively meaningful. The technique was neither designed for, nor it is applicable to, the valuation of goods for which there is a market.

The argument has been advanced that the CV methodology “holds all else constant” with respect to conditions not explicitly included in the hypothetical scenario. This is not the case. A great part of the Report guidelines for the conduct of a reliable hypothetical survey is concerned with how the respondent understands the scenario presented and with ensuring that the respondent does not view the survey questions in a manner inappropriate to the objective of the survey. This is because the imagination of the respondent cannot be controlled. Respondents could easily imagine situations familiar to them that strongly influence their responses that have not been anticipated or identified as a part of the researcher’s investigative efforts. This is in some way the fatal flaw of all hypothetical survey research—the inability to control the perception of the respondent that governs the answers provided.

There is no reason to believe that the results of CV surveys, as applied to real estate valuation in the peer-reviewed literature or in litigation, have any quantitative value due to serious—indeed fatal—flaws in the execution of an inapplicable methodology.

The fundamental point is one long recognized by the valuation community: There is no substitute for a careful examination of actual sales information. There is a very large and important difference between an opinion of what someone might do under hypothetical circumstances and an examination of actual transactions.


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The Prices of vacant land and developed areas experienced a considerable increase in some blocks within the perimeter of OUCFL during the 1990s, but decreased in other blocks. Yet, the average square meter price of new real estate development fell throughout the Metropolitan Region of Sao Paulo (RMSP) in all price bands, when comparing the average price from 1991 to 1996 with those of 1996 to 2001.

After controlling for a number of attributes associated with the changing character of the developments and their location, the price estimations showed an unequivocal relative increase after the operation was launched. The average price per square meter within the OUCFL perimeter increased from R$1.68 thousand in the 1991-1996 period to R$1.92 thousand in the 1996-2001 period, a 14 percent increase, while prices in RMSP decreased from R$1.21 thousand to R$1.06 thousand, a 12 percent decrease in the same period (R$1.95/US$1.00 in December 2000). Thus, the price per square meter in OUCFL was higher than that of RMSP by around 26 percent. The price per square meter in OUCFL was 38 percent higher than the average price in the RMSP in 1991-1996, and it increased to 81 percent higher in 1996-2001.

Was this increase captured by the municipality as anticipated? Considering that the cost of construction in average is around R$1,000 per square meter, the 2004 auction (the only one so far) captured almost all of the value added at current prices. The previous pre-CEPAC system captured about 50 percent or more, depending on the capacity and success of municipal negotiators, and the correctness of the reference price. CEPAC now changes this percentage and the face value of the instrument may capture all the value increment of even more, depending on the relation of this face value to market prices, and on the results of future auctions. Comparing a redevelopment project financed totally by construction bonds (like CEPACs) and one financed totally with general property taxes, there is no doubt that the former is less regressive than the latter. Even with a progressive property tax, with rates increasing according to values, part of the costs would be paid by poorer households.

This evidence that about 80 percent of the total cost of the project has already been recovered, combined with the auctioning of the remaining building rights through CEPACs and the impact of the property appreciation on the current property tax revenues, indicates that the project should not only pay its own way but actually generate a fiscal surplus for the city as a whole over the next five or seven years.

In effect, the changes caused by substituting older single-family houses with new residential and commercial buildings resulted in substantial change in property tax collection in the OUCFL area. Many lots and even entire blocks had been occupied by single-and two-story houses constructed since the 1950s. Many of these structures were eligible for a discount coefficient for obsolescence of up to 30 percent of the property tax. They were replaced with new, taller and higher-quality buildings for which the discount was null. Our estimates indicate that the differences in property tax collection by square meters constructed may have increased by at least 2.7 times and up to 4.4 times. That is, the average property tax per square meter increased to a minimum of R$588.50 up to R$802.50 from R$220.95 if the house was 25 years old, or from R$179.70 if the house was 30 years old.
THAI CONTINUING PROFESSIONAL DEVELOPMENT (CPD) PROGRAM

Thai Appraisal Foundation conducts this forum to promote knowledge about the property valuation and real estate professions to the general public. By doing so, we aim to arm people with unbiased information for all people with the understanding that “Knowledge Is Not Private Property”. As a result, we will include your registration information in our database as proof of participation and include you as a foundation member in future.

หนังสือแห่งนี้สนับสนุนคำี่จะดำเนินการจัดพิมพ์โดย Agency for Real Estate Affairs (www.area.co.th) รายได้ทั้งหมดโดยไม่หักค่าใช้จ่าย มอบให้ผู้สมัครประเมินค่าทรัพย์สินแห่งประเทศไทยเพื่อสภาราชการธรรมประโยชน์ สังกัดที่ คุณสมบัติที่ รายต่อพิมพ์ผู้สมัคร โทร. 0.2295.3171