



**USAID**  
FROM THE AMERICAN PEOPLE



**BAPEPAM-LK**



# Best Real Estate Appraisal Practices and the U.S. Experience

Presented to  
**MAPPI**

Mark F. Bates, MAI, CRE, FRICS

Jakarta - May 9, 2012



- The U.S. Appraisal Profession & Appraiser Regulation
- IFRS 13 - Fair Value
- On Line Data Sources
- Argus and IRR on line Systems Demonstration
- Automated Appraisal Software Demonstration
- Commercial Property Discussion
- Eminent Domain



# History of the U.S. Appraisal Profession

## Benchmarks

- The Roaring 1920's
- 1928 - NAREB
- 1929 - The Great Depression
- 1932 - AIREA (Appraisal Institute)
- 1935 - University of Chicago
- 1951 - The Appraisal of Real Estate (Text)



- Benchmarks cont'd
- 1959 - Ellwood Tables (Yield Capitalization)
- 1970 - Charles Akerson (Modern Appraisal Theory)
- 1983 - DCF (Discounted Cash Flow)
- 1989 – FIRREA (Regulation of Appraisers)



# FIRREA

- The Appraisal Subcommittee
  - National Register Established
  - Licensing Administered by 50 States
- The Appraisal Foundation
  - Appraisal Standards Board (USPAP)
  - Appraisal Qualifications Board
  - Appraisal Practices Board (2010)



## License Qualifications (Appraisal Foundation)

- Bachelors Degree
- 300 Hours in Appraisal Training
- Examination
- 3,000 Hours of Experience
- Continuing Education (14 hrs per yr)
- USPAP Every 2 Years



## MAI Qualifications (Appraisal Institute)

- Bachelors Degree
- 415 Hours in Appraisal Training (13 courses)
- Comprehensive Examination (4-4 hour modules)
- 4,500 Hours of Experience
- Demonstration Report (Thesis)
- Continuing Education (20 hrs per yr)
- USPAP Every 2 Years



## Career Path

- Trainee
- Analyst
- Senior Analyst - MAI
- Director
- Owner



## Primary Sources of Business

- Lending Institutions (Banks)
- Government
- REITS/Pension Funds
- Corporations
- Special Servicers (CMBS)
- Litigation Support
- Tax Appeal



## Major Players – U.S.A

- Integra Realty Resources
- CB Richard Ellis
- Cushman Wakefield
- Newmark Grubb Knight Frank (Landauer) – new
- Colliers PGP – new
  
- Consolidation – The Integra Story



# Operational Benchmarks

- Revenue per Appraiser
- Revenue Per Capita in Marketplace (Population)
- Average Profit per Appraiser
- Desk Cost per Appraiser
- Average Appraisal Fee
- Average Delivery Time



## Today

- 104,873 State Licensed and Certified Appraisers
- 38,064 Certified Appraisers
- 7,500 MAIs



# Appraisal Associations

- American Society of Appraisers
- American Society of Farm Managers & Rural Appraisers
- International Association of Assessing Officers
- International Right of Way Association
- National Association of Independent Fee Appraisers
- Appraisal Institute



# Appraisal Institute

- 23,000 Members
- 7,500 MAIs
- 50+ Chapters



# Appraisal Institute cont'd

## Publications

- 63 Books\*
- The Appraisal Journal – published quarterly
- Valuation Magazine – published quarterly
- Electronic Newsletters – published monthly
- 8 ebooks

\*Including: Real Estate Valuation in Global Markets, Asia and Oceania Chapter - Indonesia / Rengganis Kartomo



## Appraisal Institute cont'd

### Courses and Webinars

- Over 100 Appraisal Courses
- 50 On Line Course



## Appraisal Institute cont'd

### 32 Committees and Panels including:

- Associate Member Committee (guidance)
- Government Relations Committee (regulation oversight)
- Professional Practice Compliance and Enforcement Committee (peer review)
- Client Advisory Board (client relations)



## Appraisal Institute cont'd

- Lum Library
- Query "Indonesia" – 40 hits



# Appraisal Institute cont'd

## International Members

ANTIGUA AND BARBUDA (1)  
AUSTRALIA (1)  
AUSTRIA (2)  
BAHAMAS (1)  
BARBADOS (3)  
BRAZIL (1)  
BULGARIA (1)  
CANADA (27)  
CAYMAN ISLANDS (1)  
CHINA (132)  
COLOMBIA (3)  
DOMINICAN REPUBLIC (1)  
EGYPT (2)  
ENGLAND (2)  
FRANCE (1)  
GERMANY (59)  
GREECE (3)

GRENADA (1)  
HONG KONG (1)  
INDIA (3)  
INDONESIA (2)  
ISRAEL (2)  
ITALY (1)  
JAMAICA (1)  
JAPAN (50)  
KOREA (127)  
KOSOVO (2)  
LUXEMBOURG (1)  
MEXICO (40)  
NETHERLANDS (1)  
NEW ZEALAND (1)  
NIGERIA (3)  
PAKISTAN (1)  
PANAMA (2)

PHILIPPINES (1)  
POLAND (2)  
ROMANIA (1)  
RUSSIA (1)  
SAUDI ARABIA (9)  
SERBIA AND MONTENEGRO (1)  
SLOVENIA (1)  
SWEDEN (2)  
SWITZERLAND (1)  
THAILAND (1)  
TRINIDAD (2)  
TURKEY (9)  
UKRAINE (2)  
UNITED ARAB EMIRATES (1)  
UNITED KINGDOM (2)  
URUGUAY (1)  
USA (2)



## Appraisal Institute cont'd

- Indonesia – Hamid Yusuf and Rengganis Kartomo
- China 132 members, 91 MAIs
- Korea 127 Members, 60 MAIs





# Fair Value – IFRS 13

What you need to know



## Fair Value Definition

“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.



## Fair Value – What you need to know

- Exit Price Basis
- Principal Market
- Valuation Premise
- Highest and Best Use
- Market Participants View
- Fair Value Hierarchy



## Exit Price

- Exit Price vs. Entry Price
- Market Based vs. User Based
- Not Company Specific
- Think “Market” Value

## Exit Price Example

- Developer overpays for adjacent site
- Needs to sell the next day
- Is the value what he paid or what he can sell it for?



## Valuation Premise

- Stand alone or in combination with other assets?
- Which provides Maximum Value?

## Example:

- Mixed Use Property (Shopping Center, Office Building and Hotel)
- Shopping Center has more business from hotel vs. stand alone.
- Valuation Premise?



**USAID**  
FROM THE AMERICAN PEOPLE



# Highest and Best Use

Physically Possible  
Legally Permissible  
Financially Feasible

Highest and Best Use vs. Intended Use



## Highest and Best Use Example

Factory Value = 4,000,000

Vacant Land Value = 5,000,000

Demolition Cost = 500,000

Vacant Land Value?

Highest and Best Use?



## Fair Value Hierarchy

- Level 1 relates to quoted prices for identical assets. Real estate rarely has an identical twin, so valuation normally requires reference to the next level.
- Level 2, which is based on observable values for similar transactions, such as comparable property transactions. Level 2 is logical for real estate.
- Level 3 drops to reliance on subjective and unobservable inputs, such as knowledge, judgment, and experience with the particular market. If Level 3 inputs are applied, sufficient support and discussion is required.

## Level 2 and Level 3 Examples

- Level 2 - Land Sales of the same size in the same location with consistent prices per SM.
- Level 3 – Limited sales data that needs significant adjustments.





# On Line Data Demonstration

## Property Data

- Property Tax Cards
- Land Plans
- Flood Maps
- Zoning Ordinances

## Sources of Data cont'd

### Market Data

- Real Capital Analytics
- Loopnet
- Reis/MarketPoint add in
- Claritas/MarketPoint add in





**USAID**  
FROM THE AMERICAN PEOPLE



## Discounted Cash Flow – Argus vs. Excel

- **Argus Demo – LeCroix Plaza**
- **Datapoint Demonstration**
- **Knowledge Base Demonstration**





## Automated Appraisal Software Demonstration

- **Marketpoint**
- **Datapoint**
- **ADAM**



**USAID**  
FROM THE AMERICAN PEOPLE



## Automated Appraisal Software Demo

- 50 Whitecap Drive





## Commercial Property Appraisal Discussion

- Economic Influences
- Market Influences
- Lease Structure
- Chart of Accounts
- Units of Measurement
- Risk Measurement



## Commercial Property Appraisal Discussion – Market Sectors

- Shopping Center – LeCroix Plaza
- Office – 50 Whitecap
- Industrial – Projo Building
- Hotel – Marriott Chicopee



**USAID**  
FROM THE AMERICAN PEOPLE





**USAID**  
FROM THE AMERICAN PEOPLE



**BAPEPAM-LK**



# Eminent Domain Discussion



**USAID**  
FROM THE AMERICAN PEOPLE



# QUESTIONS

?????