

Land Valuation & Effective Land Transfer/Acquisition

Essential for emerging economies and informal markets

James Kavanagh – ILMS, RICS, FIG Comm 9

UN WGIC

Nov 2018



Content

'We cannot solve our problems with the same level of thinking that created them.' – Albert Einstein

'There is no such thing as an investment without property rights that are negotiable and transferable.' – De Soto

1. Introduction and context
2. Valuation of unregistered land – formalising the informal
3. Cause & effect – markets
4. Land Acquisition: a global issue
5. Standards
6. Conclusions



RICS Research Valuation of Unregistered Land – The Reality of Functioning Informal Land and Property Markets in Ghana, Peru & Indonesia

Background – there is scant empirical evidence and/or research on the reality of how ‘informal’ land & property markets work and what part ‘professionals (surveyors/valuers) play within this process.

As ‘market’ economics and external/internal investment reach into previously ‘informal’ or ‘social tenure’ domains there is a pressing need to understand the appraisal/valuation methodologies in use and their suitability

There is a growing awareness that the attribution of ‘value’ can act as strong platform for ‘tenure security’ and vice versa – this is not a linear process.

‘Value’ is critical for taxation and by extension service/infrastructure provision. Rapid urbanisation, mass acquisition, fair compensation.

Follow up on previous RICS research – 2012 & 2016

Help create an ‘empirical’ platform for other related initiatives – UN Habitat (GLTN), NUA, UN FAO



Background – Formalising the informal

‘The opaque values of unregistered lands are a major cause of inequities and erode confidence of communities to support these development initiatives. This delays implementation, and frustrates transparently equitable compensation for unregistered properties, and results in unintended harmful long term consequences to affected parties’.

The objectives of the report are:

- To identify the key informal market valuation issues around the world
- To examine existing trends and strategies for the valuation of unregistered land in selected case studies by examining (1) valuation methods (2) challenges in the valuation process and (3) alternative notions of value in three case study countries.
- To develop policy recommendations for outlining actions needed by governments (at various levels), the valuation industry and professional bodies to ensure the land and property sector is better able to operate effectively in this environment.

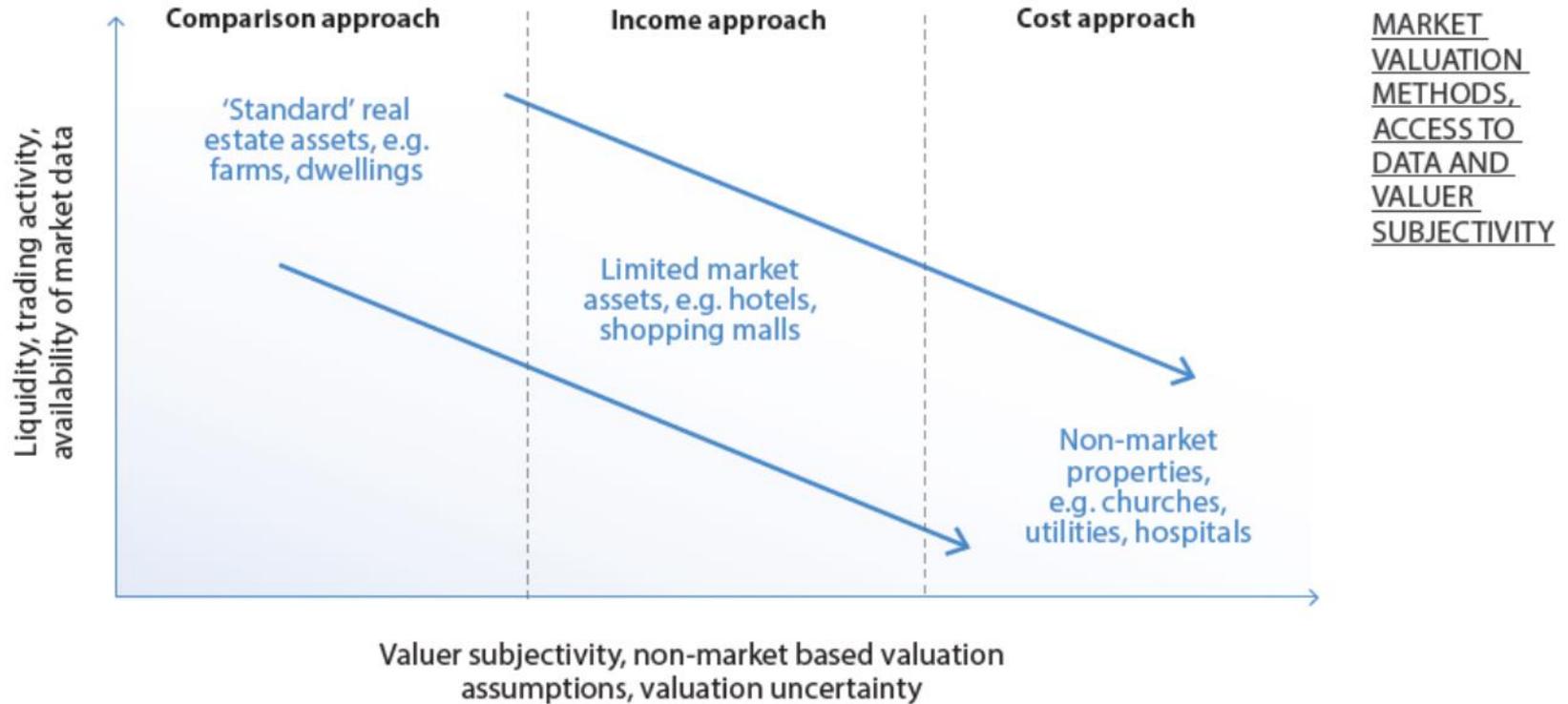
Three different geographies:

- Ghana, with extensive experience of registering land;
- Peru, with extensive experience of registering title, and
- Indonesia, with experience of both.



Conclusions

Key high-level findings are:



Land admin data – metrics & market effects

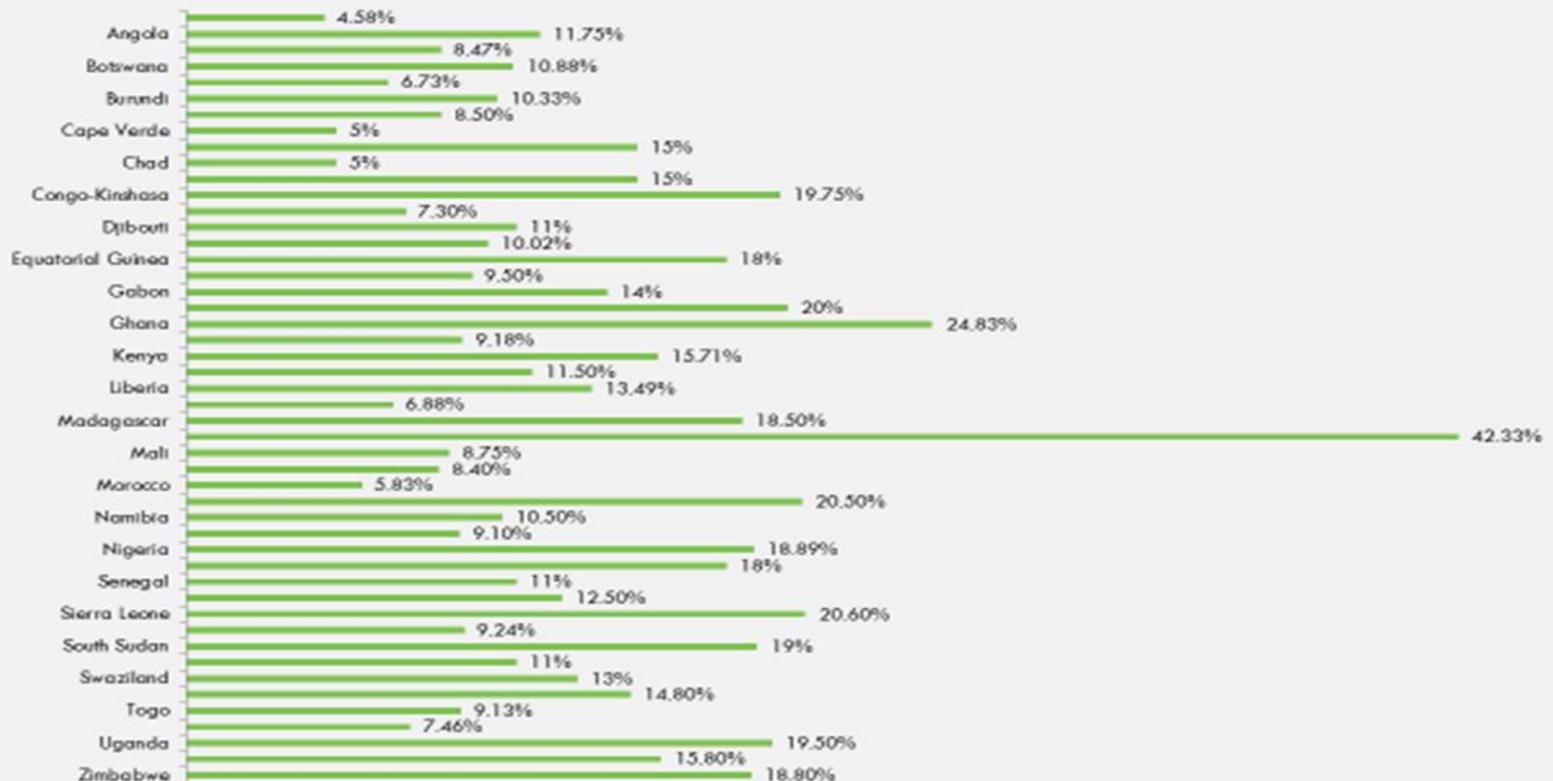
Country	World Bank Index (overall & Reg of property)	Property Taxation (GDP)/Mortgage rate	Corruption index
Ghana	120/119	0.03 / 24.83%	81/180
Indonesia	72/106	0.35 / 11.00%	96/180
Peru	58/44	0.21 / 6.00%	96/180
OECD	27/44	1.91 / 2.00%	Top 20

- <http://www.doingbusiness.org/data/exploretopics/registering-property>
- https://www.transparency.org/news/feature/corruption_perceptions_index_2017
- <https://data.oecd.org/tax/tax-on-property.htm>
- <http://www.landmarkmap.org/>
- <http://mirror.gltm.net/index.php/land-tools/gltm-land-tools/global-land-indicators-initiative-glii>
- <https://www.prindex.net/>

Land admin data – metrics & market effects

Affordability Issue: double digits interest rates deter borrowers

Average mortgage interest rates in Africa, 2015



Source: Author's observation; BCEAO; CAHF; Nuerbeo

A developing portfolio

The collage features several key publications:

- FIG PUBLICATION NO 67**: *Property Tax in Developing Economies*
- FIG PUBLICATION NO 64**: *Computing and Costing Recommendations*
- FAO United Nations**: *Valuing Land* - A technical guide on valuing Guidelines on the Responsible Forests in the Context of National Accounts
- REPORT 01 / 2018**: *VALUATION OF UNREGISTERED LANDS - A Policy Guide*

Logos at the bottom include CFS (Committee on World Food Security), UN-HABITAT (FOR A BETTER URBAN FUTURE), FIG (INTERNATIONAL GROUP OF EXPERTS), UN-HABITAT (FOR A BETTER URBAN FUTURE), and GLTN (GLOBAL LAND TOOL NETWORK).

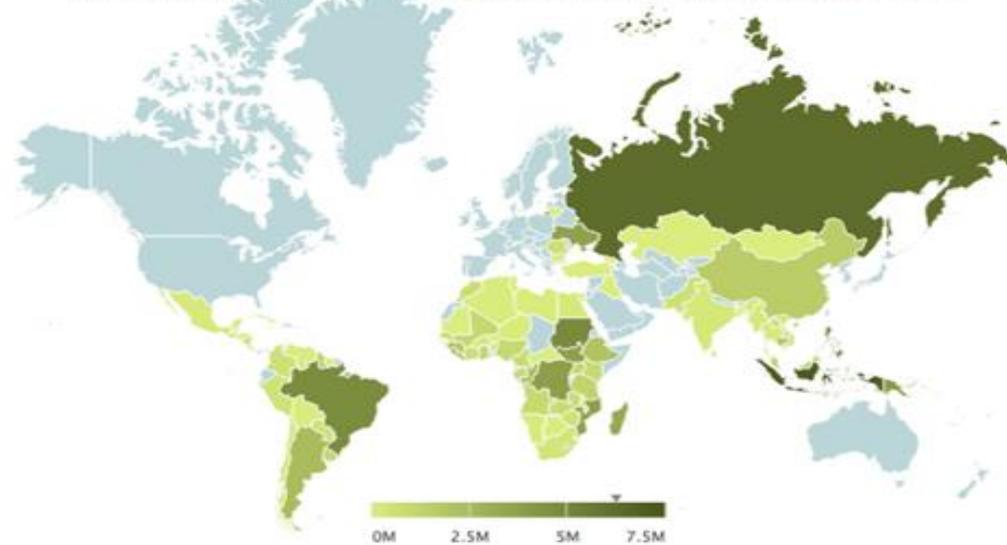


Land Acquisition – a global rural & urban issue

Total Hectares in deals 2000-2016

Total Hectares in deals – 2000–2016

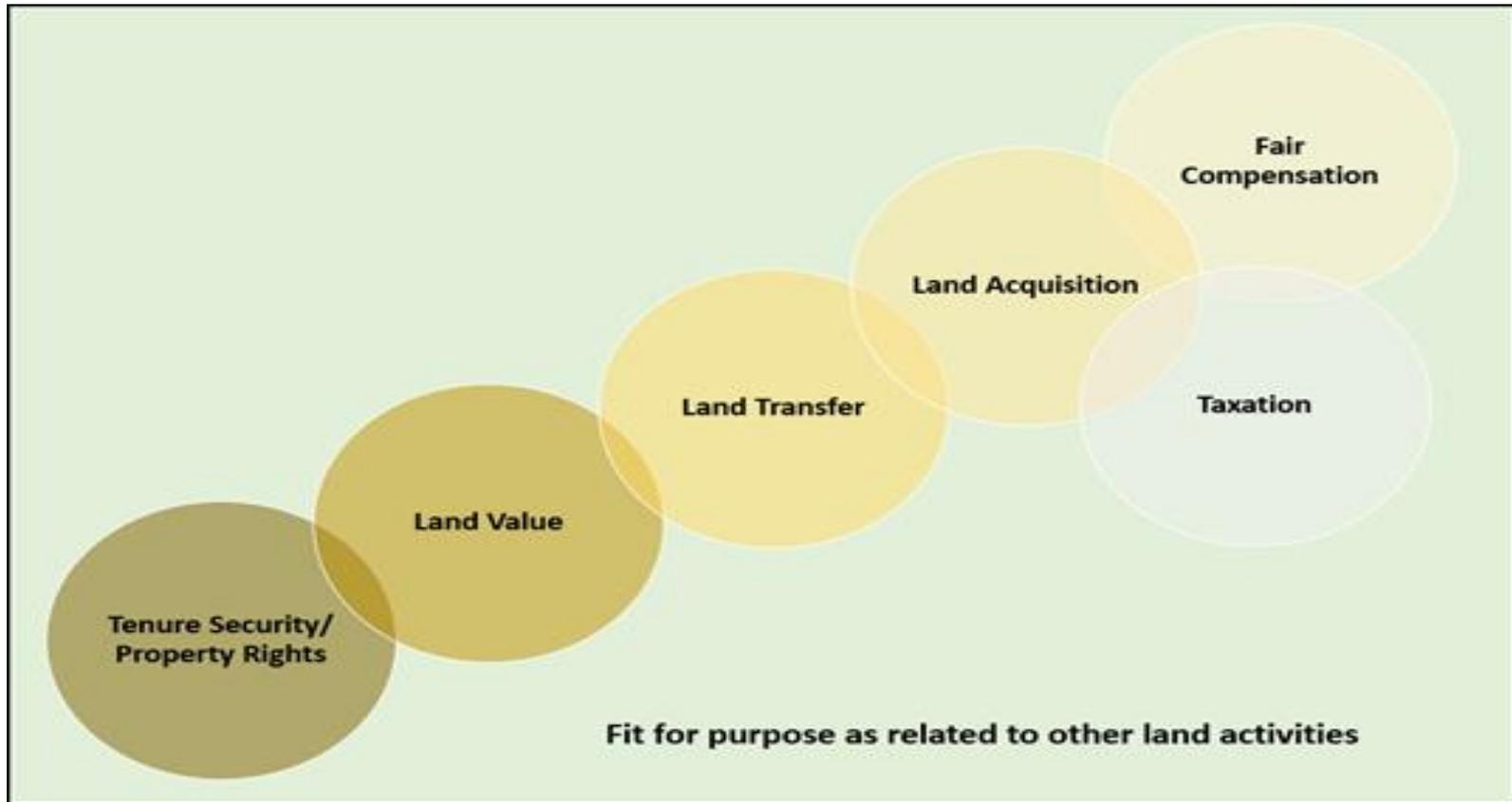
Total Area (ha) calculated as the sum of all deals, in a given country over the period 2000–2015. A "deal" is referred to as an intended, concluded or failed attempt to acquire at least 200 Ha of land through purchase, lease or concession. It can be compared to the Total Number of Deals.



- India: Total hectares bought: 5,420,209 (about 13.4 million acres)
- USA: Total hectares bought: 4,136,973 (about 10.2 million acres)
- UK: Total hectares bought: 3,008,472 (about 7.4 million acres)
- South Korea: Total hectares bought: 2,696,297 (about 6.7 million acres)

ILMS – fit for purpose connectivity

Enabled by land administration and geospatial information



International standards – working together



The 7 key land information elements of ILMS

- Both a standard and a framework for reporting
- Aim to reduce risks in the land transfer process by creating consistency of application and facilitating and supporting land governance, robust conveyancing, secure lending and land registration
- Goal: to support global consistency by setting standards for classifying, defining, measuring, analysing, presenting and reporting land information
- Can be applied at a project, regional, state, national or international level
- 7 key elements required during a ‘due diligence’ process
- Flexibility to take informal data sources and add a ‘risk’ status
- Powered by LADM data and market information
- A ‘tractor engine for a tractor’

Conclusions

- Informal markets are so large that they are the ‘de-facto’ market in emerging economies
- UN GGIM Framework for effective land administration underlines importance of current, comprehensive and credible data
- Attribution of ‘value’ and ‘taxation’ as a legitimate form of tenure securitisation
- Market value? Is volatile – ‘reasonable value’ concepts
- De-risk the internal and external investment in land and property
- Aid efficiency and fair compensation in Large Scale Land (urban & rural) Acquisition
- Help deliver large scale infrastructure and sustainable urban expansion
- All enabled by Geospatial information but **it is time to engage with global financial sectors**

James Kavanagh MRICS C.Geog

Director - Global Land & Resources

ILMS – chair

FIG Comm 9 - vice chair

RICS 12 Great George Street, Parliament Square

Parliament Square, London SW1P 3AD

Web: <http://www.rics.org/land>

Email: jkavanagh@rics.org

Linkedin: uk.linkedin.com/pub/james-kavanagh/17/48b/654/

Twitter – @jkavanagh99, #RICSland

