RICS

Valuation of Unregistered Land – a practice manual

A tool to support the Valuation of Unregistered Land-

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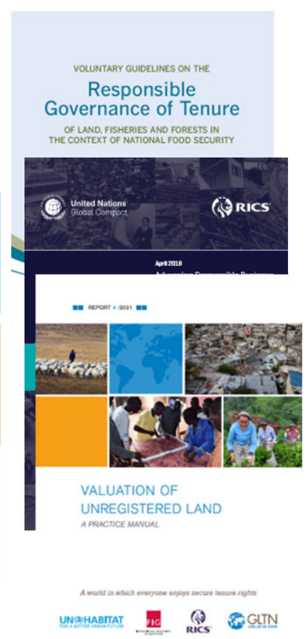
Sustainable Development Goals (SDGs) 2030



- 1,2,5,11,15,16 are directly related to Land issues
- New Urban Agenda & Rapid Urbanisation

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Valuation of unregistered land - manual

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International standards – working together

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Valuation of unregistered land manual

Connection with IVS's critical

Changes to IVS's Jan 2022:
- ✓ Core Principles of Valuation Standard Setting
- ✓ Change perceived focus from Urban to all be inclusive
- ✓ Recognition that value may be held in informal tenure

Applying IVS's in the Manual: -
- ✓ Legitimacy within legal & regulatory frameworks
- ✓ Consistency in approach by adopting the framework

Valuers are not policy makers

International Valuation Standards Council

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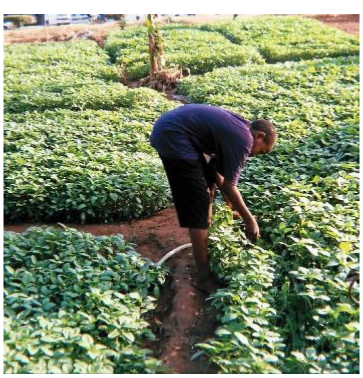
"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" (IVS 2021)



- A community obtains benefits from legitimate individual and communal rights over their land, including the right to fish, raise livestock, grow and harvest crops, collect wild foods, fuel wood, timber and thatching grass.
- These rights allow collection of products needed for subsistence and livelihood, and often generate additional income by selling surplus to the market.
- Rights that generate sales can be valued using the *comparison approach* and rights that generate income can be valued using the *income approach*.
- It may also be possible to estimate the market value of some products that are consumed 'internally' within the community.
- The value of some benefits, though, cannot be estimated using market value approaches. For example, some produce, herbs for example, may be medicinal and not traded in a market, so there is no price evidence.

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Holding Real Property

- Real property interests might be defined formally or informally, registered or unregistered
- **IVS 400 para 20.1:**
  "Property interests are normally defined by state or the law of individual jurisdictions and are often regulated by national or local legislation. In some instances, legitimate individual, communal/community and/or collective rights over land and buildings are held in an informal, traditional, undocumented and unregistered manner. Before undertaking a valuation of a real property interest, a valuer must understand the relevant legal framework that affects the interest being valued."

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Concepts of Property Value

- Value refers to the importance people place on the benefits that are derived from holding real property
- Economic values:
  - Use values (direct and indirect) and non-use values
  - Markets facilitate exchange and so people's preferences (values) are revealed. Hence, the focus on **market value**
  - Markets are good at revealing direct use values but not so good at revealing indirect use values and option values, and terrible at revealing non-use values
- Socio-cultural values
- Ecological values
- Plurality of values: disparity between market value and 'accounting' value. Difference = **non-market value**

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Valuing Real Property Interests

- Amongst valuers, **market value** is a widely understood basis of value
- **Non-market value** is rarely encountered in conventional valuation, mainly in expropriation work
- But valuers are familiar with the concept of **Investment Value**:

  "Investment value is the value of an asset to a particular owner or prospective owner for individual investment or operational objectives."

  "Investment value is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not involve a presumed exchange. Investment value reflects the circumstances and financial objectives of the entity for which the valuation is being produced. It is often used for measuring investment performance."

  (IVS 104 para 60.1 and 60.2)

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Methods of Estimating Non-Market Value

- Are values **revealed** in some way: transfers, exchanges, leases, licenses, etc. If so, what is the medium of exchange, the numeraire?
- If not, can stakeholders be persuaded to **state** their preferences in some way, either to acquire (willingness to pay for) or relinquish (willingness to accept the loss of) real property?
- Can the different concepts of value be reduced to one **metric** or will several be needed?
- How will **risk** and **uncertainty** associated with holding and using real property be handled in a valuation?

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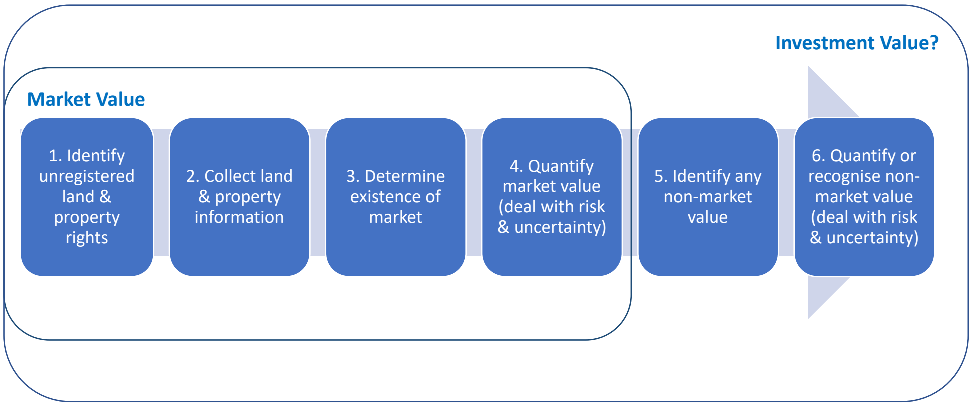
A Role for Valuers?



Valuation: Standards, Skills, Capacity, Information and IT…

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Thank You

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Download the manual:

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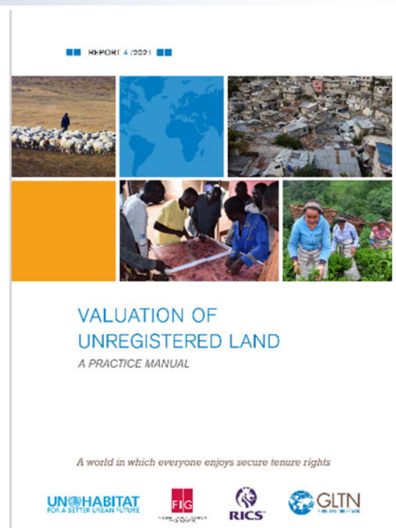
A Practice Manual –
Global Land Tool Network (gltn.net)



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