

An Emerging European Valuation Research Agenda:

Evidence from the
European Real Estate Society
and the
RICS Cutting Edge Conferences

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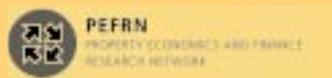
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Abstract

This paper sets out to examine the contributions of the European Real Estate Society (ERES) and the RICS Cutting Edge conferences to the development of a valuation research agenda in Europe. In the paper we note that, to date, there have been few reflective studies of the nature and scope of European property research consequently, we argue that it is useful to map the research terrain by analysing contributions to these conferences. Both conferences commenced in 1993 and represent the principal fora for disseminating the findings of property research. We argue that, as not all contributions have been published, the conferences provide a broader overview of the main areas of real estate research activity than would be possible from a similar study of contributions to academic journals. Similarly the conferences provide comprehensive coverage of research undertaken in the valuation specialism which is the specific focus of this paper. There are two main strands to the analysis in the paper. The first involves an examination of the contributing institutions. The analysis is complemented by a second strand which examines the contents of the papers and maps the content through to a discussion of the changing emphasis on particular research themes in valuation. Whereas the Cutting Edge conference exhibits an equal split into research on valuation methods and process the ERES conference is primarily focused on research into valuation methods. Nevertheless within these broad categories there are striking similarities on common themes with ample evidence of an emerging European valuation research agenda.

Introduction

Over the past three decades a strong property research culture has emerged in the United Kingdom and a similar trend is evident in mainland Europe particularly within the past ten years. This research culture drew initially on the traditional property related disciplines of economics, law, human geography, urban planning, construction and valuation and more recently has begun to mirror trends in the United States encompassing advancements in business studies and finance.

The diverse backgrounds of property researchers and practitioners has inevitably led to a fragmented research agenda characterised by a range of quasi independent specialisms in areas such as urban economics, property investment and finance, property valuation, property in the micro economy, property and business economics and property development. Within each of these specialisms the focus of research has varied from individual actors to groups of actors to the market in aggregate; from the local to the national to the global dimension; from the demand side to the supply side; from the public sector to the private sector; and across the residential, retail and industrial sectors. Furthermore theoretical and empirical studies of property market phenomena have also varied in the terms of the methodological and epistemological approaches adopted.

The current research builds upon two recent papers by the research team which provide a reflective study of the development of real estate research in the UK over the last decade (Adair et al, 2000, 2001). The first paper delivered at the RICS Cutting Edge conference 2000 argues that contributions from academics and practitioners since 1993 provide a useful proxy for the scope of property research in the UK and can usefully shed light on the development of the major thematic priorities. The second paper presented at the World Valuation Congress Singapore 2001 examines the emerging valuation research agenda. Both papers indicate that throughout the study period the themes of valuation and investment have been the focus for most research effort. The current paper seeks to compare the emerging valuation research agenda in mainland Europe with that of the United Kingdom. More specifically the research provides a comparative analysis of the papers presented at the European Real Estate Society and the RICS Cutting Edge conferences held since 1993 in order to identify the emerging European valuation research agenda.

The European Real Estate Society and RICS Cutting Edge conferences

The development of both the European Real Estate Society (ERES) and RICS Cutting Edge conferences can be traced back to the early 1990s. In relation to the former a prototype European research conference was held at the University of Reading in 1993 to determine the potential for such a forum. A positive outcome to the meeting saw the establishment of ERES with the first official conference held in Amsterdam in 1994. The mission of ERES is to create a structured and permanent network between real estate academics and professionals across Europe. ERES provides an open forum for the exchange of ideas and the dissemination of research relevant to applied decision making in real estate finance, economics, appraisal, investment and asset management. The society is dedicated to promoting and advancing the field of real estate research throughout Europe. Incorporating many national property research societies, academic researchers and real estate practitioners, its annual conference and regular publications provide a forum for information flow and debate on research issues.

Likewise the RICS Cutting Edge conference developed from an attempt to define a property research agenda. In 1993 the RICS General Practice/Planning and Development Division's Research Sub-Committee published an *Agenda for Property Research* which reflected the earlier RICS research strategy. The rationale of the document was to highlight the need for more effective research in order to meet the changing demands upon the profession. In addition it also sought to raise awareness of the role and importance of research, to provide a more focused framework for research activity and to stimulate a debate regarding the future direction of property research. More recently the 1999 Cutting Edge conference included a special session with the Society of Property Researchers (SPR) to debate the real estate research agenda. The lack of a clear overall direction in real estate research was identified as well as the need to balance the investment-led bias in property research over the past two decades with a greater consideration of the changing occupier agenda (SPR, 1999).

Literature review

This paper is part of an increasingly large number of studies that have sought to evaluate the contribution of real estate research and, in particular, have focused on the development of the discipline, the key contributions and themes studied. In relation to European research Schulte (2000) compared ERES and American Real Estate Society (ARES) annual meeting presentations for the 1996-1998 period. Papers were clustered according to a 'House of Real Estate Studies' framework namely business administration, economics, law, regional planning, architecture and engineering. A total of 245 and 454 papers were presented at the

ERES and ARES meetings respectively. The results suggest that, at both meetings, business administration emerges as the most common topic (69% in ERES and 84% in ARES), followed by economics (14% in ERES and 8% in ARES) and regional planning (9% in ERES and 5% in ARES). It is apparent that there is no representation of architecture and engineering subjects in both samples.

From the management aspects, Schulte (2000) shows that a total of 135 and 253 papers were presented at the ERES and ARES conferences respectively. Among the three levels of management aspects, functional subjects appear to be more important for European researchers (76%) compared to American researchers (58%). In contrast, strategic studies emerge as being more common topics in ARES (58%) than in ERES meetings (16%). Out of 103 and 146 papers presented, close examination of the papers on functional aspects reveals that property investment and finance dominate in both meetings while questions about property analysis and valuation are more important to European researchers. In contrast, property marketing does not seem to stir any research interest in Europe. From analysis of the papers on strategic aspects, portfolio management and corporate real estate management are more prominent in the US.

These conferences, of course, tend to be dominated by the interests of academics. Souza (2000) examined the current state of academic and professional real estate research, and posed the question as to whether the two worlds of academic and professional real estate research are colliding to form new and innovative hybrid approaches, or are they dividing and moving further apart?

Academic real estate has been criticised for not producing theories and applications that can be transferred to industry for investment and portfolio decision making, or to government for policy making and administration. It is contended that most university-based research today is targeted towards a narrow constituency in the academic community and is focused more on academic performance indicators rather than making a contribution to industry. On the other hand professional real estate research has been criticised by academics for not producing theories and applications that can be transferred to academia for broader knowledge building. It has been argued that industry research analysts may have developed significant econometric forecasting models or innovative portfolio optimisation techniques, but due to their proprietary nature they do not contribute to building real estate knowledge or theory.

Souza (2000) foresees the emergence of a new type of real estate research conducted in a more integrated fashion and where the skill sets of applied real and financial economists will be in high demand in both industry and the academy. These analysts will bring both the academic and professional worlds together, and facilitate and foster integrated solutions to complex real world problems. Future research will witness a shift from the physical to the financial and will consist of advanced theory building, system development, mathematical programming and hypothesis testing applied directly to real estate and financial asset and liability portfolio management.

Applied real estate and financial economists of the future, in conjunction with advanced communications and computing systems, will cause the academic and real estate worlds to collide, forming new and innovative approaches to solving practical real estate problems. To close the gap between academic and professional real estate research, Souza (2000) argues that there needs to be leadership and capital committed to the process.

Within the valuation discipline several recent papers have addressed the issue of a research agenda. Crosby (2000) highlights the dilemma of defining a narrow agenda when in reality valuation encompasses anything that impacts on

the value of property assets. He identifies several issues where research might influence the operation of practice namely, the harmonisation of international valuation standards; valuation methods focussing on the application of finance models within real estate appraisal and the relationship of business value and property value; behavioural aspects of valuation; communication with clients and client influence including valuation variation and accuracy, and reporting a range of values versus the single point estimate. In a similar fashion Baum et al (2000) identified a number of issues in need of further research. Their study confirms that commercial property valuations may be distorted by the influence of clients as well as by the valuation process. Most importantly they highlight a widespread practice in which valuations undergo a process of negotiation with clients. The question is posed, are such practices appropriate and do they add to the information content of a valuation or does the practice suggest bias? In conclusion Crosby (2000) emphasises the significance of research as a prerequisite to providing clients with more sophisticated valuation services.

Data and research methods

Since the 1980s there has been an explosion of published research that analyses existing publications within particular fields of study. Specifically researchers have sought to analyse publications in order to rank individual researchers or academic institutions and their contributions to journals (Sa-Aadu and Shilling, 1988; Dombrow and Turnbull, 1999; Ong et al, 2000), to disciplines (Cox and Gustavsson, 1990) and to conferences (Johnson et al, 1996). Publications have also been used as a basis to rank degree programmes (Kau and Johnson, 1986) and citations in academic papers have been used to measure the quality of scholarly journals (see *inter alia* Mabry and Shaplin, 1985; Burton and Phimister, 1995). In the US the general aim of this research has been to analyse research productivity in order to inform decisions regarding academic pay, promotions and resource allocation (Cox and Gustavson, 1990). The research also provides information on the research orientation of institutions and can be seen to have influenced the decisions of prospective students and staff and accreditation administrators. Similarly in the UK the assessment of research by HEFC and, in particular, the primacy given to peer reviewed journal articles within the exercise has also meant that the relative quality of journals and the impact of individuals and their published articles have important implications for the allocation of resources (Burton and Phimister, 1995).

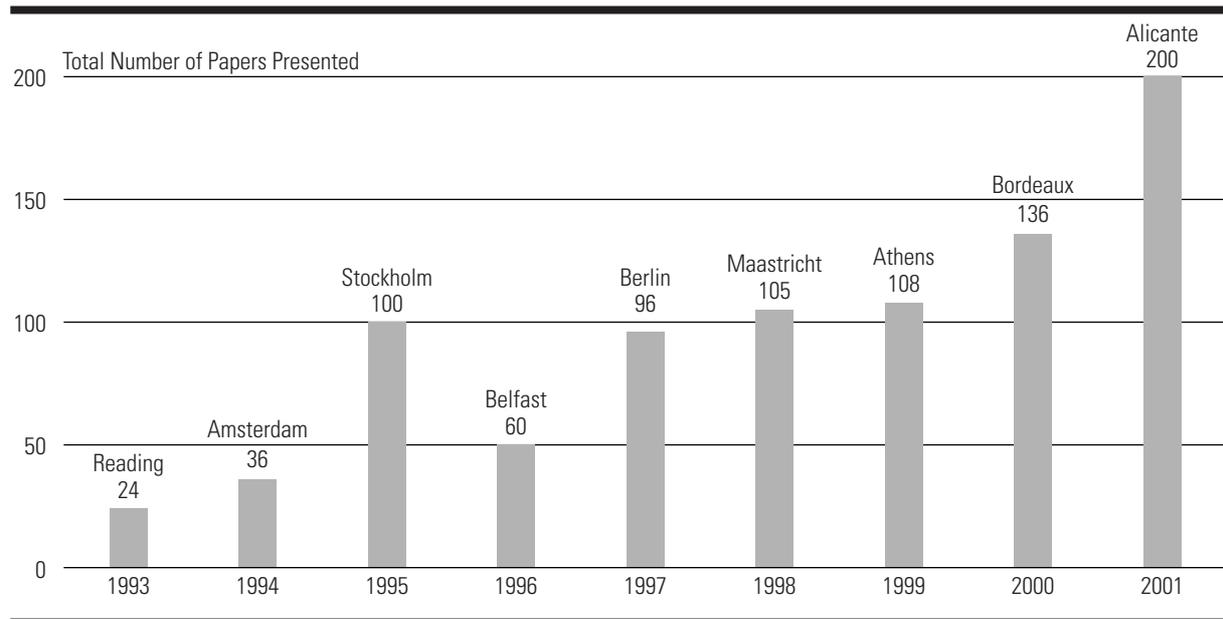
Although the focus of this paper is contributions to conferences rather than peer reviewed journal articles, there are several important developments in this research from which we can learn. In particular, analytical methods have been developed which can be usefully employed in the empirical analysis of contributors to the conferences, and the focus of their contributions. These are 'contributor analysis' as applied in ranking academic journals and 'content analysis' which considers key themes examined within particular disciplines. These methods are used as follows.

The 'contributor analysis' in the next section of the paper is based on the published proceedings from the nine annual ERES and Cutting Edge conferences held between 1993 and 2001. This provides information on the institutional affiliation and numbers of authors and the year of presentation for each paper. Annual conference presentations generally do not identify the presenting author

when multiple authors exist, therefore all authors were listed and counted equally. The 'content analysis' of the valuation research agenda is reported in later sections. The approach is similar in nature to that of the work of Johnson et al (1996) who analysed the relative importance of different topics at meetings of ARES. The analysis is subject to some limitations and, in particular, is biased by the fact that a smaller number of papers were presented at the earliest conferences.

Across both conferences there is a problem with identifying the number of papers delivered accurately. Apart from the proceedings, there are also the conference programmes. In the case of the Cutting Edge these do not reconcile although the differences are small until 2000. The programme does not pick up those participants who withdrew at the last minute or did not deliver their papers for some other reason. It also does not pick up very late entrants. The proceedings rely on the receipt of the paper in either paper or electronic format. This paper has used the proceedings as the guide to participation rather than the programmes. To the personal knowledge of the authors, who among them have attended all of the conferences, this excludes a small number of papers which were definitely delivered but have not found their way into the proceedings. A summary of papers presented at ERES conferences between 1993 and 2001 is outlined in Figure 1.

Figure 1: Papers Presented at ERES Conferences: 1993-2001



Contributing institutions by country of origin

The data were sorted by university or employer affiliation of the author in order to identify the leading institutions with a real estate focus as measured by the volume of papers presented at the ERES conferences. The rankings of institutions, are based on the unadjusted (Table 1) and adjusted (Table 2) number of articles produced by the institutions. The unadjusted figure represents the number of appearances in articles at the conference irrespective of co-authorship. In terms of the unadjusted number of articles the leading five countries of origin over the entire period 1993-2001 are the UK (80), the Netherlands (14), Sweden (11), Spain (10) and the United States (9) (Table 1).

The ranking of institutions by adjusted number of papers refers to the total number of appearances after dividing co-authored articles equally among multiple authors. The leading five countries based on adjusted papers over the period 1993-2001 are the UK (55.44), the Netherlands (12.00), New Zealand (6.50), Sweden (5.49) and Germany (5.00) (Table 2).

Table 1: Contributing Institutions by Unadjusted No of Articles

Rank	1993-2001	Unadjusted	Rank	1993-2001	Unadjusted
1	United Kingdom	80.00	12	France	4.00
2	Netherlands	14.00	13	Ukraine	4.00
3	Sweden	11.00	14	Greece	3.00
4	Spain	10.00	15	Russia	3.00
5	United States	9.00	16	Slovenia	3.00
6	New Zealand	7.00	17	Estonia	2.00
7	Australia	6.00	18	Finland	2.00
8	Poland	6.00	19	Singapore	2.00
9	Germany	5.00	20	Czech Republic	1.00
10	Italy	5.00	21	Malaysia	1.00
11	Canada	4.00			

Table 2: Contributing Institutions by Adjusted No of Articles

Rank	1993-2001	Unadjusted	Rank	1993-2001	Unadjusted
1	United Kingdom	55.44	12	France	3.00
2	Netherlands	12.00	13	Russia	3.00
3	New Zealand	6.50	14	Slovenia	3.00
4	Sweden	5.49	15	Estonia	2.00
5	Germany	5.00	16	Finland	2.00
6	Spain	4.98	17	Greece	2.00
7	Australia	4.00	18	Singapore	2.00
8	Italy	4.00	19	Canada	1.00
9	Poland	4.00	20	Czech Republic	1.00
10	Ukraine	4.00	21	Malaysia	1.00
11	United States	3.98			

Overall Comparison of ERES and Cutting Edge Valuation Papers

The overall comparison of the ERES and Cutting Edge conference valuation output shown in Table 3 highlights an interesting number of differences in focus. Over the nine ERES conferences between 1993 and 2001 there were 129 appraisal papers presented whereas the corresponding total for the nine years of Cutting Edge activity is 123 papers. Two-thirds (85) of the ERES papers address issues relating to valuation methods with valuation process papers accounting for the remaining one-third (44 papers). In contrast there is an almost even split between valuation methods (59 papers, 48%) and process papers (64 papers, 52%) at the Cutting Edge conference. The ERES figures reflect in part the increasing interest in real estate and in particular in methods of property valuation throughout Europe during the 1990s. Whereas the Cutting Edge reflects an even split there is an intuitive feeling that the significant amount of research into valuation methods undertaken in the 1980s had given way to more behavioural related research in the 1990s.

Within the valuation methods category there is striking similarity across both conferences with the dominant topic focus on investment methods (36 papers at ERES, 23 at Cutting Edge) followed by computer assisted valuation (28 papers at ERES, 13 at Cutting Edge). In comparison the remaining valuation topic areas attract significantly less attention however there appears to be a greater level of interest in statutory valuation methods at the ERES conference (9 papers) than at the Cutting Edge (5 papers). In relation to the valuation process category a broadly similar pattern emerges with the dominant topic focus on decision-making (23 papers at ERES, 32 at Cutting Edge) followed by bases/concepts (16 papers at ERES, 17 at Cutting Edge). The valuation accuracy topic has not attracted the same high level of attention at the ERES conference (4 papers) as it has at the Cutting Edge (14 papers).

Table 3: Comparison of Valuation Papers Delivered at ERES and Cutting Edge Conferences

Valuation Category/Topic	ERES 1993-2001	Cutting Edge 1993-2001
Methods: Investment	36	23
Methods: Cost/Profit	4	5
Methods: ComputerAssisted Valuation	28	13
Methods: Environmental	2	8
Methods: Comparison	6	5
Methods: Statutory	9	5
ALL METHODS	85	59
Process: Accuracy	4	14
Process: Decision-making	23	32
Process: Bases/Concepts	16	17
Process: Reporting	1	1
ALL PROCESS	44	64
TOTAL	129	123

One explanation for the high levels of similarity across the valuation topics is the large number of UK presenters who attend both conferences. However this factor only offers a partial explanation as demonstrated by a consideration of valuation accuracy which has been a popular topic at the Cutting Edge but not at the ERES conference. Correspondingly it may be argued that the high levels of similarity across certain valuation topics reflect the interest at a European level in these leading areas of research activity.

Key themes in the ERES valuation research agenda

Valuation methods papers

As indicated above investment methods is the valuation topic which generates the most activity with 36 papers (Table 4). Other important topics include computer assisted appraisals (28), statutory (9) and comparative (6) valuation approaches. Methods related to costs and profits together with environmental valuation are not major topics in the context of the ERES conference. Overall the valuation methods topics show few clear trends over the nine year time frame. In fact the pattern is highly erratic with 18 papers presented in 1995, 9 papers in 1996 and 1998, and 7 in 1999 and 2000.

Analysis of the 36 investment methods papers highlights several areas of leading edge activity being undertaken by researchers across several countries. Methods papers are distinguished from process on the basis that their primary focus is on valuation techniques encompassing the enhancement of current practice, elaboration of alternative approaches and applications within specific situations. In many cases there are close links with valuation process while sometimes the distinction between methods and process is a finely drawn one.

The investment methods papers (36 in total) focus on a wide range of topics. The elaboration of traditional and more contemporary investment valuation techniques within specific European countries (4 papers) highlighting the economic, legal, technical, social and cultural contexts in which the valuations are set and more importantly the principal differences which distinguish practices across countries. Specific examples include the application of approaches in Germany, Greece, the Czech Republic and Belarus. A related subset of papers addresses the application of property pricing within the context of international investment for example three papers on taxation aspects of cross-border valuation, the comparison of US and European valuation approaches and the application of US techniques within the Netherlands. The internationalisation of authorship, not to mention European integration, is amply demonstrated by the fact that while most of these papers are written by nationals of the countries to which they relate many are written by authors from other European states. More contemporary approaches (3 papers) include the role of explicit DCF for example, in particular countries such as France and Italy; and a real value approach.

The valuation of specific lease terms is addressed by 4 papers dealing with covenant strength and default risk, pricing upward only review clauses, lease covenants and the impact of lease structure. A related area involves the application of alternative pricing techniques particularly from the world of finance (6 papers). Here a range of papers, primarily by UK authors but also including papers from Germany, address such issues as the application of capital market approaches, arbitrage pricing, valuation of incentives within leases and option pricing.

The role of uniform valuation instructions in risk mitigation, professional information papers, the application of professional guidance notes in the valuation of development land and valuation rules for performance measurement highlight the increasing international research focus on the importance and integrity of valuation standards at national, regional and international levels (4 papers). This subset of papers is particularly interesting as it highlights the growing awareness of the importance of harmonised standards in enhancing the valuation product both for the valuer and the client.

The second main area within valuation methods comprises computer assisted valuation (CAV) with a total of 28 papers. The principal theme relates to the valuation of land and buildings for rating assessment/taxation purposes in particular the current application of computer assisted mass appraisal (CAMA) within specific countries such as Estonia-Latvia, the Netherlands, Poland, and Russia (6 papers) and leading edge developments within this field (12 papers). The latter include the application of GIS modelling, neural networks, novel index tracking, knowledge-based systems, fuzzy numbers and advanced regression modelling.

Five further papers address the application of CAV to the valuation of residential properties for mortgage purposes, quantitative estimation of the impact of shopping centres on residential property values, the rental assessment of retail property and the explicit analysis of market prices.

Table 4: Valuation Papers Delivered at ERES Conferences 1993 - 2001

Valuation Category/Topic	1993	1994	1995	1996	1997	1998	1999	2000	2001	TOTAL
Methods: Investment	3	4	7	3	5	3	5	4	2	36
Methods: Cost/Profit	0	1	1	0	1	0	1	0	0	4
Methods: ComputerAssisted Valuation	0	1	7	4	3	5	0	1	7	28
Methods: Environmental	0	0	0	1	0	0	0	0	1	2
Methods: Comparison	0	0	2	0	2	1	0	0	1	6
Methods: Statutory	1	0	1	1	1	0	1	2	2	9
ALL METHODS	4	6	18	9	12	9	7	7	13	85
Process: Accuracy	0	0	0	0	1	0	1	1	1	4
Process: Decision-making	2	4	0	2	3	4	3	2	3	23
Process: Bases/Concepts	0	1	2	1	0	1	3	3	5	16
Process: Reporting	0	0	0	0	1	0	0	0	0	1
ALL PROCESS	2	5	2	3	5	5	7	6	9	44
TOTAL	6	11	20	12	17	14	14	13	22	129

Valuation process papers

Within the valuation process category (44 papers) the dominant topic is decision-making within the valuation (23 papers). This topic encompasses the area of behavioural valuation which experienced a growth in terms of academic research at the international level in the 1990s. Other important areas within the valuation process are bases and concepts represented by 16 (36%) papers and valuation accuracy (4) with only 9% of the papers. Like valuation methods the process papers show few clear trends over time. While the number of papers presented demonstrate an increasing trend over the nine year timeframe the pattern is highly erratic with 9 papers presented in 2001, but only 2 and 3 papers in 1993 to 1996 and averaging 5 papers from 1997 to 2001. The valuation process papers are analysed in terms of emerging themes.

A wide range of topics is included within the decision-making category. A number of papers address the increasing internationalisation of practice, the development and changing role of professional valuation associations, the diverse cultural contexts of European valuation and factors influencing the education of valuers across several countries (6 papers). Although these papers are diverse in nature they address current leading edge areas relating to standardisation of terminology, measurement practice, education and the future of professional associations in Europe.

A second area of decision-making research activity relates to behavioural influences within the valuation process. This is an emerging research interest particularly in the UK and papers presented relate to consumer behaviour in the valuation of residential property, mapping the commercial valuation process and valuer behaviour with regard to negligence in valuations (4 papers). In terms of this latter area, the process of reporting the valuation is considered by one paper in relation to contributory negligence involving European banks in property valuation in the UK.

A third area of decision-making research interest relates to evolving valuation practices within the transition economies of Central and Eastern Europe. Three papers address the organisation of current valuation practice together with the development of property information databases in Slovenia, Ukraine and Poland.

The second theme can be identified within the valuation process papers relating to bases/concepts. A major subset addressed by three papers is the development of harmonised valuation standards across the European countries to assist cross border pricing of property. The implications of the diversity of existing valuation practices are considered in relation to the development of harmonised European valuation standards. A further area of activity within the bases/concepts topic relates to the determination and application of investment worth (3 papers).

Further areas of research interest include the valuation process underpinning the pricing of corporate property assets, the going concern value of the business, economic worth and the role of the valuer in undertaking loan security valuations (4 papers).

Valuation accuracy is an emerging area of research interest at the ERES conference (4 papers). Papers cover valuation variation, margin of error and bias and finally mechanisms of price creation in market value. Although reporting of valuations is an important aspect of the valuation process only one paper has actually been presented on this issue at the ERES conference.

Key themes in the Cutting Edge valuation research agenda

Valuation methods papers

Valuation methods is marginally less important than the valuation process at the Cutting Edge conference with 59 papers over the 9 years, averaging nearly 7 each year (Table 5). As indicated above investment methods is the topic which generates the most activity in this area, with 23 papers. Other important issues are computer assisted appraisals and environmental valuation issues. As for the ERES conference methods applied in statutory circumstances and other types of methods such as costs and profits based valuations are not major issues in the context of Cutting Edge.

Methods papers show no trend over time; in fact the pattern is very erratic with 12 papers presented in 1997, but only 2 in 1998 and 5 in 2000 and 2001. The

same is true for investment methods with 8 in 1997 but only around 1 to 2 per year for the last 3 years.

Across the 23 investment methods papers four main areas emerge, two of which are fundamentally tied to each other. The value of investment property is a combination of existing lease benefits and liabilities and residual property issues. The two main linked themes which emerge are the application of alternative techniques to the valuation of investment properties and the pricing of specific lease terms. The linkage is that the pricing of lease terms is often examined in the context of alternative pricing methods, such as option pricing, and the alternative approaches to the value of investment property include the pricing of leases.

Alternative approaches include papers on arbitrage and actuarial approaches, fuzzy analysis and more explicit DCF. Around a third of the papers in the investment methods group could be categorised as alternative approaches.

Nearly half the papers in the investment methods group address specific issues of pricing lease terms, most usually break clauses (3 papers) and the

Table 5: Valuation Papers Delivered at Cutting Edge Conferences 1993 - 2001

Valuation Category/Topic	1993	1994	1995	1996	1997	1998	1999	2000	2001	TOTAL
Methods: Investment	1	3	5	0	8	2	2	1	1	23
Methods: Cost/Profit	0	2	2	1	0	0	0	0	0	5
Methods: ComputerAssisted Valuation	0	1	1	5	2	0	2	0	2	13
Methods: Environmental	0	0	2	3	1	0	0	2	0	8
Methods: Comparison	0	0	0	0	1	0	3	0	1	5
Methods: Statutory	0	0	0	0	0	0	2	2	1	5
ALL METHODS	1	6	10	9	12	2	9	5	5	59
Process: Accuracy	1	1	2	1	2	0	4	1	2	14
Process: Decision-making	2	1	2	5	3	8	2	6	3	32
Process: Bases/Concepts	0	1	1	3	4	1	1	4	2	17
Process: Reporting	0	0	1	0	0	0	0	0	0	1
ALL PROCESS	3	3	6	9	9	9	7	11	7	64
TOTAL	4	9	16	18	21	11	16	16	12	123

upwards only rent review (3 papers). They often bring alternative approaches from the first group to bear on these issues. These papers illustrate the influence that techniques developed in financial markets other than property are having on the research agenda in this area. A number of these papers are from academics whose background is more financial than traditional real estate appraisal. However, it is also interesting to note that in many cases, the papers are jointly authored with colleagues from a more traditional UK property background. This suggests that any theoretical application of alternative models is being informed by the applied specific knowledge of markets.

There is no doubt that research mirrors developments in practice. Since 1990 and the abandonment of standard institutional leases in the UK, the implications for pricing have been high on the agenda of property owners, occupiers and professionals. Some of this research has been funded by the industry and some by Government, keen to retain some of the increased flexibility in commercial property markets caused by changes to lease structures.

The third group of papers looking at investment methodology address the application of investment techniques to markets other than the UK, specifically

Europe (4 papers). The fourth group is 3 papers looking at specific property types or situations, i.e. serviced offices, fast food outlets and Private Finance Initiative cases.

The second largest category of valuation methods is computer assisted appraisal. Of the 13 papers, around half discuss neural networks or geographical information systems and how they may influence values and valuation. The other major area of research interest regarding methods is the issue of contaminated land. A number of papers have addressed the stigma valuation issue within the context of the valuation of contaminated land and the costs of cleaning.

Valuation process papers

Over the nine year period a total of 64 valuation process papers have been presented with the largest category in this group (32 papers) relating to decision-making within the valuation process. As indicated above this sub-group also encompasses the area of behavioural valuation which experienced a growth in terms of academic research in the UK in the 1990s. Other important areas within the valuation process are bases and concepts represented by 17 (27%) papers and valuation accuracy (14) with just over 22% of the papers.

There has been a growth in the number of process papers presented over the nine year period, from 3 papers in 1993 and 1994, increasing to 6 in 1995 and remaining at approximately 9 papers from 1996 to 2001. This trend highlights the growing interest in research into the valuation process in the UK in the late 1990s.

Overall the 32 decision-making papers show an erratic distribution increasing to 8 in 1998, falling to 3 in 2001. The decision-making papers have been analysed in terms of four emerging themes. The first is related to the broad area of behavioural valuation, accounting for over half of the decision-making papers, encompassing potential distortions in the commercial and residential valuation process. A wide range of topics is included focusing on confirmation bias in valuer behaviour, distortion effects in the evaluation of comparables due to price knowledge and market knowledge anchoring, appraisal smoothing and the descriptive processes of valuers. Overall the research establishes the links between valuers' decision-making strategies and the outcome of the valuations.

The second area relates to the quality of data employed in the valuation process in particular the need for greater data consistency. The potential role of a National Evidence Valuation Database (NEVD) is examined in providing high quality data for investment valuation purposes. Barriers to data sharing within the surveying profession, in particular the valuation of commercial property have also been considered. The third area comprises decision-making processes within the valuation of leisure properties especially hybrid uses involving leisure and related occupancy. This area of investigation reflects the growing significance of the leisure sector within mixed use offerings in the property market in the 1990s. Finally there is a group of papers covering general topics within the valuation decision-making process comprising social valuations for publicly owned properties and the licensing of residential valuers.

A further four main areas can be identified within the valuation process papers relating to bases/concepts. The first is a group of papers focusing on value, price and worth across a range of topics namely, going concern value, economic value, loan security, corporate security and investment worth. The second is the related and expanding area of valuations for business purposes in particular the valuation of corporate assets. This is matched by an increasing number of papers under the broad heading of corporate real estate focussing attention on the needs of occupiers and the provision of services by landlords. It

also links with an increasing interest over the life of the conference in lease pricing issues, addressed in the next section. One manifestation of this is a number of papers looking at the appraisal issues raised by the emergence of the serviced office market and other property types with similar characteristics.

The third area relates to the harmonisation of valuation standards across Europe. The increasing amount of cross border activity and the search for more consistent performance measurement indices have focussed attention on the process by which valuations are prepared in different countries and a number of papers have addressed cross-border valuation processes, from bases and concepts through to legal liability. The final group of papers in this section comprises a focus on specialist properties/markets such as the valuation process within overbuilt markets and the valuation of historic buildings.

The accuracy of valuations has provided a fairly rich seam of output over the years of the conference with 14 papers. Papers mainly fall into three categories; first, the analysis of data in order to add to the information on valuation accuracy, variation and bias; second, the implications of inaccuracy, including work on the legal liability issues attached to inaccurate valuations, and third, the valuation process aspects that may lead to valuers being inaccurate. The output of this research feeds directly into a number of investment property issues, most obviously the search for more frequent performance indices. Although reporting of valuations is an important aspect of the valuation process only one paper has actually been presented on this issue at the Cutting Edge conference.

3

Conclusions

The analysis of the first nine years of ERES and Cutting Edge paper presentations provides a useful context to understand the emerging valuation research culture in Europe. The study indicates that interest in valuation is significant as measured by the number of papers presented and the wide diversity of topics represented. The findings of the contributor analysis point to the dominance of a group of institutions from the UK, the Netherlands and Sweden in terms of promoting valuation research within Europe. The increasing internationalisation of research output is evident not only within Europe but also in relation to the number of American and Australian researchers who are now collaborating with European colleagues.

Although defining the difference between an appraisal paper and, say, a market analysis or investment paper is difficult, there is no doubt that appraisal issues are at the forefront of the real estate research agenda in Europe, along with investment and market analysis issues. The main threads of appraisal research include no major surprises and consist of behavioural influences, investment valuation methods, lease pricing, computer assisted appraisal, concepts and bases of valuation and valuation standards, valuation accuracy and the appraisal of specialised properties.

The agenda is applied specific in nature and does tend to be closely related to problem issues in professional practice. This may reflect the fact that a number of research teams and individuals come from the built environment tradition of real estate, more so than those operating in the investment and finance and market analysis research areas. However, there are signs that appraisal research is widening its base. There is evidence that in the investment methods and lease pricing areas, there is increased involvement of academics from other disciplines, such as finance, in these multi-authored papers.

The research agenda of the future will not be the research agenda of the past. Issues such as the securitisation of property assets have tended to be part of the investment agenda. We believe they will increasingly become part of an appraisal agenda which seeks to price more rationally the different elements of cash flows from property; the fixed bond income secured under leases to the property residual values. This will equally apply to innovative financing of property transactions and the whole issue of bank lending valuations will increase as banks seek better information to determine the risks of lending and using property as security. This is a particularly timely and relevant field of study in Europe given the differing approaches to bank lending valuation and risk assessment enshrined in the law and practice of some of the major European countries.

Lease pricing will be increasingly important in the UK and Ireland as leases become more like those in other parts of the world but may also start to be of increased importance in mainland Europe if convergence starts to impact on the very diverse practices which currently exist. The agenda on the pricing of

business property will also expand as the boundary between the property asset value and the value of the business run from the property asset blurs. The search for better quality, more frequent performance measures will reinforce the current agenda into all parts of the valuation process research, including behavioural aspects relating to valuers and clients, the total process by which valuations are produced, especially the use of information, accuracy and consistency.

In terms of the organisation of research, we believe that the increased collaboration between those with applied property knowledge and those with more quantitative finance and investment skills will deliver a much higher quality product with a stronger theoretical base, better research methods and a much better interpretative quality on the results of the research. This may require more inter-institutional research collaborations or may lead to a consolidation of the research expertise in fewer organisations.

The ERES conference has been a significant stimulus in developing and consolidating an emerging research culture in the mainland Europe and as a vehicle for disseminating and testing research ideas leading to wider dissemination in published output. However, that research community has matured, with the leading members playing a major part in other similar international conferences all over the world. In this context it remains to be seen whether the Cutting Edge conference will continue in its present form in the widening European arena.

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