

Real estate appraisal in markets' risk, uncertainty and instability: facing the challenge.

Introductory note

The idea and organization behind the 41st CeSET Meeting originate from the well known events that involved international finance in the last decade and in 2008 ultimately led to the subprime mortgage crisis in the United States and the ensuing world crisis. The state of general imbalance caused by public debt in many sovereign nations was yet another component of what we are coming to know as the biggest recession ever seen in the history of world economy.

Such events, together with the new scenarios produced by the globalizing trends in the economy, gave markets a distinctly questionable nature. The real estate market, for one, features a complex structure in some areas, as well as instability, risk and uncertainty with a steady yet irregular development pattern. Unclear, unreliable, incomplete or non-explicit information and market data often contribute to a difficult situation in terms of knowing the conditions applicable to real estate transactions.

This situation triggered significant effects on the market-oriented real estate appraisal. The current appraisal principles and methods, which over the last half-century had stood out for remarkable viability, in this new situation do not always appear reliable and sometimes they are even inapplicable. Even recent appraisal approaches, developed with the most advanced information and computational technology, display evident shortcomings, with severe repercussions on the significance of the estimated economic values.

In the light of this, it becomes crucial to take the challenge posed by the ongoing changes, looking into some of the theoretical and operational features of real estate appraisal and envisaging the introduction of suitable corrective measures. Moreover, it would be important to move towards proposing and using other criteria, methods and appraisal languages that are fully recognized at international level. It should be born in mind that the need for innovation has grown to become quite pressing, also because of the critical connection that has come to grow between the real estate industry and some crucial operating area such as banks, insurance companies, companies in general and tax authorities. The problem, then, is about determining the amount of mortgages, securities, properties, investments, taxable rates, etc., consistently with the actual economic value of the considered real estate resources.

By providing the insight of qualified experts, academicians and international institutional representatives, the CeSET Meeting sets out to discuss the emerging appraisal issues and outline a current array of practicable solutions. The selection of subjects to offer for discussion, bearing in mind of the opportunity to face a wide framework of problems, include real estate markets and IT systems, the knowledge and the theoretical principles of the appraisal discipline, as well as the appraisal methods and methodologies.

The large number of proposals we received allowed us to attain a wide selection of papers presented at the meeting and collected in this volume.

The first part includes the contents on real estate markets and IT systems, which are classified into three different aspects.

The first describes a number of methods used to perform analyses and projections of real estate market dynamics. The second provides some of the experience on the interrelations existing between the real estate market, urban planning and appraisal: more specifically, the section analyses some practices through which public policies and urban planning affect the trend of real estate prices; a number of actions are offered to stimulate market growth and favour real estate valuing processes; real estate appraisal methods are detected in order to support urban and regional policy strategies. Finally, the third section includes a number of essays and remarks on the features of European real estate IT systems and relevant issues, highlighting the need to improve them – in some instances – in terms of quality of offering innovative experience undergoing testing.

In the second part, the volume features a critical review of some of the theoretical aspects of the appraisal discipline as well as the research and application of real estate appraisal methods. The contents are divided into three sections.

First, the evolution and current validity of some milestones of real estate appraisal are analysed, together with the pros and cons of the ongoing initiatives that seek harmonization. Following, a number of methodologies aimed at detecting suitable operating approaches in the light of the social, economic and environmental contexts are extensively expanded. Finally, the text provides examples of real estate appraisal applied for specific purposes.

The set of contributions reported in the volume allows scholars and practitioners to know and perceive the number of issues affecting the real estate appraisal. Such opportunity is in itself a remarkable springboard to think of suitable and applicable solutions. The contributions to the volume mostly provide a substantial overview of well-established application and innovative ideas that can give or outline valuable answers to the current state of the real estate market and the appraisal of the relevant economic value. Based on this assumption, leveraging the results of the analyses and outcomes of the 41st CeSET Meeting may be certainly beneficial for the community directly or indirectly involved in the real estate industry.

In conclusion, I would like to express my gratitude to all the participants of the meeting, especially those coming from the farthest countries; to the meeting's Scientific Committee; to the Institutions that collaborated in the initiative and offered their patronage; to the Sponsors, for without them the initiative would have been much harder to organize given the difficult time of the Italian economy; to the students of "La Sapienza" University of Rome, since their presence and commitment fully justified such hard endeavour. Last, I would like to wholeheartedly thank all those who contributed to the success of this initiative in many different ways, more specifically, Fabio Coronas, Fabrizio Finucci and Rocco Murro for their relentless dedication and competence provided throughout the entire process.

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