

# VALUATION FOR LAND ACQUISITION, INTERNATIONAL EXPERIENCE

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VALUATION FOR TIMELY LAND ACQUISITION FOR INFRASTRUCTURE DEVELOPMENT:  
 INTERNATIONAL PRACTICES FOR INDONESIA, SOPON PORCHOKCHAI, PhD D.FIABCI CRS RICS **1**

**ดร.โสภณ พรโชคชัย**  
**Dr.Sopon Pornchokchai, MRICS**  
 Ph.D. land and housing, Asian Institute of Technology  
 Cert.Appraisal, ICLPST - Lincoln Institute of Land Policy  
 Cert. Housing, Katholieke Universiteit Leuven, Belgium

林俊秋

- Board Member, International Advisory Board, the Appraisal Foundation, USA.
- FIABCI Representative to the UN ESCAP and Co-Founder of FIABCI Thailand
- CRS Trainer, Council of Residential Specialists, National Association of Realtors
- Representative of the International Association of Assessing Officers
- Consultant to Finance Min. Vietnam/Indonesia, ESCAP, UN-Habitat, ILO, FAO
- Lecturing in valuation and real estate in Brunei, Cambodia, India, Indonesia, Myanmar, Nepal, the Philippines and Vietnam.

Research master pieces: the discovery of 1,020 slums (1985), CAMA (computer-assisted mass appraisal) modeling (1990), forecast of 300,000 unoccupied housing units (1995 and 1998), study for property information centre (2000) and land value modeling (2002), Valuation Roadmap, Ministry of Finance, Vietnam (2006), Valuation Lecture Series, Ministry of Finance, Indonesia (2008).

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### Household Who Refused To Move Out Surrounded By Excavation

CHONGQING, CHINA - MARCH 21: (CHINA OUT) A building sits on its own island of land amid construction all around March 21, 2007 in Chongqing Municipality, China. The homeowner, who has hung a banner and the national flag in protest, has refused to sell to a developer who went ahead with construction around the site. The Jiulongpo District Court has ordered the household to move out before March 22. The National People's Congress, China's legislature, just approved a much-debated new property law that for the first time provides legal protections for private assets in China.

Photo: China Photos/Getty Images  
Mar 21, 2007

<http://www.life.com/image/73650898>

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<http://cellar.org/2007/ChinaHouse.jpg>

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## **Public Land Acquisition:**

1. Acquisition for the benefit of the public.  
Individual right is not the first in the priority.
2. Compensation must be fairly and timely paid.
3. Individuals can disagree with the value of compensation appraised but not the project proposed.
4. It can be done for both infrastructure development as well as commercial development which will benefit the public.

**NEED TO EDUCATE THE PUBLIC.**

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**1**

**INTERNATIONAL STANDARDS OF VALUATION  
NO DIFFERENCE, NO DOUBLE STANDARDS**

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## Value of properties and related Items which must be valued and compensated:

1. Value of the properties (land and building) taken
2. Special value to the owner (e.g. the blind)
3. Severance (becoming bad shape)
4. Injurious Affection (affected by the acquisition)
5. Betterment or enhancement (e.g. farm land to serviced land)
6. Disturbance (e.g. relocation)

NO SPIRITUAL / PSYCHOLOGICAL VALUE

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**Another side of the road / Restaurant**  
**(personal goodwill (cook + hospitality))**

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## 2

### INTERVIEWS WITH EXPERTS

### CONTRIBUTORS IN THIS RESEARCH

AUSTRALIA, Marano, Wayne., School of Commerce, Univ of South Aus.

BRUNEI DARUSSALAM, Ms Maslina Abu Bakar, Land Department,  
Ministry of Development

CAMBODIA, Narin, Keuk., Cambodian Association of Valuers

CANADA, Bender, Paul, MRICS, ASA, AACI, Senior Director, Altus Group

INDIA, Dhope, Anil., Board Member, Indian Institution of Practicing Valuers

JAPAN, Suzuki, Masahito., Board Member, JAREA (Japanese Association  
of Real Estate Appraisal)

MALAYSIA, Usilappan, Dato' Mani., Former Director General, Department  
of Valuation and Property Services

NIGERIA, Igbinoba, Roland. Managing Director and Ojo, Joke., Pison  
Housing Company

PHILIPPINES, Cuervo, Federico., Former President, ASEAN Valuers Assoc

SOUTH AFRICA, Ghyoot, Valmond, Ph.D., Professor, FPD Business Scl

THAILAND, Sopon Pornchokchai, Ph.D., D.FIABCI, CRS, RICS, President,  
Thai Appraisal Foundation

USA, David Layne, SR/WA, ASA, IAO, International Right of Way Assoc.

VIETNAM, Dao, Ngoc Tuan, Lawer., Valuers Association of Vietnam

1. Internationally-accepted valuation standards for compensation: A set of some (international) valuation standards are applied.
2. 4. Valuation under the limit of data availability: This impossible “if clause” | a thorough field research | absorb additional costs of data collection | the residual approach or hypothetical development analysis and the cost approach.
3. 6. Making valuation more transparent and understandable to the owners: A proper valuation must be conducted and explained to the owners by the negotiators. The agency that conducts the valuation and expropriation avoid any conflict of interest.

4. Valuation under the limit of data availability: This impossible “if clause” | a thorough field research | absorb additional costs of data collection | the residual approach and the cost approach.
5. Making valuation more transparent and understandable to the owners: A proper valuation must be conducted and explained to the owners by the negotiators. The agency that conducts the valuation and expropriation avoid any conflict of interest.
6. Pros and cons of offering compensation above the market value: Additional payment should help accelerate the time frame of the project, which is good when the opportunity cost is considered. However, tax payers may be disappointed.

# 3 RECOMMENDATIONS

**Fig.4: New Concept to Build a No-cost Road**

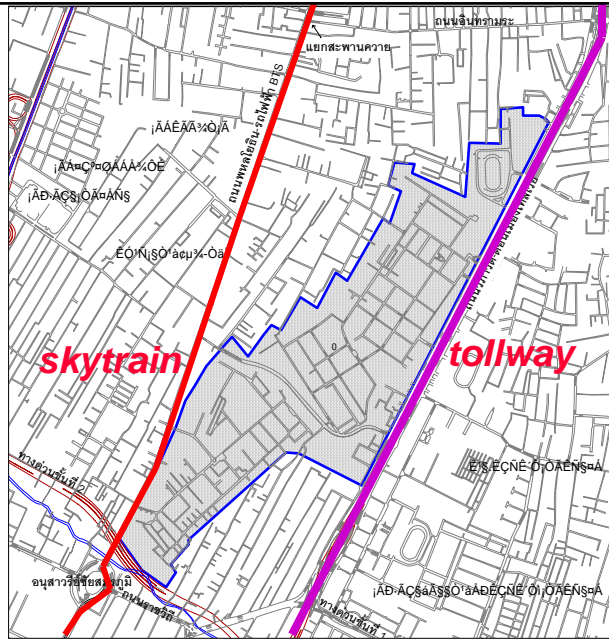
$\leftarrow$ -----additional buy----- $\rightarrow$	$\leftarrow$ ----- right of way ----- $\rightarrow$	$\leftarrow$ -----additional buy----- $\rightarrow$
	<----traffic----> lane	
Case 1: Inner-City		
	Road=1*	
Land=3*	Land=3*	Land=3*
Land=7.5**	0**	Land=7.5**
Project costs=10, Project Value=15, Profit=50%		
Case 2: Intermediate Area		
	Road=1*	
Land=2*	Land=2*	Land=2*
Land=5**	0**	Land=5**
Project costs=7, Project Value=10, Profit=43%		
Case 3: Outer-city Area		
	Road=1*	
Land=1*	Land=1*	Land=1*
Land=2.5**	0**	Land=2.5**
Project costs=4, Project Value=5, Profit=25%		
Case 4: Rural Areas		
	Road=2*	
Land=1*	Land=1*	Land=1*
Land=3**	0**	Land=3**
Project costs=5, Project Value=6 Profit=20%		
Project costs=Road Construction+Land cost for road and land beside		
**Project Value = 2.5 times of the original		

Building New  
Public Road at  
No Cost.



# Building New CBD in the CBD

(applicable to build new towns in the outskirts as well)



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A	B	C	D
2	<b>CBD / Inner City Public Land Development</b>		
3	Details	Figures	Note
4	<b>1. Building A New CBD</b>		
5	Area of the military compound (sq.metres)	1,600,000	Estimated
6	% of development area	60%	Typical
7	Net development area (sq.metres)	960,000	=C5*C6
8	Ratio of the development of 10:1	10	Builcable area : Lanc
9	Total buildable area (sq.metres)	9,600,000	=C7*C8
10	% of the total net lettable area	70%	Estimated
11	Total saleable area (sq.metres)	<b>6,720,000</b>	=C9*C10
12	Value of typical office space (US \$ / sq.metre)	2,000	=2000
13	Years to be completed	8	Estimated
14	Capitalization rate	5%	Estimated
15	% discounted	0.677	=(1/(1+C14)^C13)
16	Net value of this development (US \$ / sq.metre)	1,354	=C12*C15
17	Total value of the development project (US \$)	9,096,721,026	=C11*C16
18	Office building's construction cost / sq.m (US \$)	800	Estimated
19	Total cost of the office building development	5,376,000,000	=C11*C18
20	% of the cost of the development project	70%	Estimated
21	Total hard costs (US \$)	6,367,704,718	=C17*C20
22	<b>Total cost of this CBD land as land value</b>	<b>991,704,718</b>	=C21-C19
23	<b>2. Building A Medium Income Living Quarter</b>		
24	% of the total net lettable area	75%	Estimated more cue to being conco
25	Total saleable area (sq.metres)	<b>7,200,000</b>	=C9*C24
26	Value of typical condominium (US \$ / sq.metre)	1,300	Estimated
27	Typical unit area (sq.metre)	40	Estimated
28	No. of units which can be accommodated	180,000	=C25/C27
29	Average unit price	52,000	=C26*C27
30	Years to be completed	8	Estimated
31	Capitalization rate	5%	Estimated
32	% discounted	0.677	=(1/(1+C31)^C30)
33	Net value of this development (US \$ / sq.metre)	890	Estimated
34	Total value of the development project (US \$)	6,335,216,429	=C25*C33
35	Office building's construction cost / sq.m (US \$)	450	Estimated
36	Total cost of the office building development	3,240,000,000	=C25*C35
37	% of the cost of the development project	70%	Estimated
38	Total hard costs (US \$)	4,434,651,500	=C34*C37
39	<b>Total cost of this piece of land as land value</b>	<b>1,194,651,500</b>	=C38-C36

Densifying the city is better than decentralization.

Dencification for the next generation of city residence.

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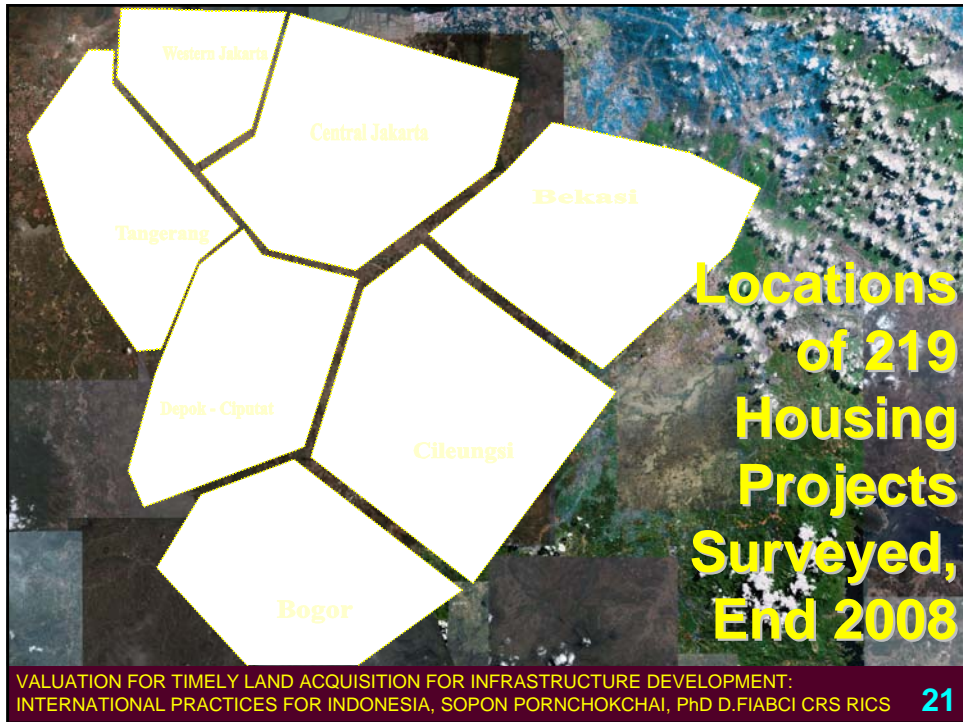
## **5. Property Acquisition Authority**

An apparatus should be established to be responsible for the entire process of property acquisition. The tasks of this authority include the execution of land acquisition plans requested by the authorities involved, valuation, negotiation with the property owners and the like. Their own professionals can take care of the tasks or out-source the services to private service providers. In addition:

- The first task, a relocation fund.
- The second is the provision of some temporary resettlement sites.
- The third is referral services. e.g. for senior citizens who have no relatives.
- The fourth task is to conduct negotiations.
- The fifth task is to conduct some training on public land acquisition.

## **EDUCATION TO BE COVERED**

Principles of Land Acquisition  
Principles of R.E. Negotiation  
Communications in R.E. Acquisition  
Alternative Dispute Resolution  
Bargaining Negotiations  
Negotiating Effectively with a Diverse Clientele  
Conflict Management  
Cultural Awareness  
The Appraisal of Partial Acquisitions  
Easement Valuation  
Reviewing Appraisals in Eminent Domain  
Residential Relocation Assistance  
Business Relocation



# 4 RECOMMENDATIONS

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**Steps and stages to help accelerate timely land acquisition:**

1. The establishment of the property information centre compared to the gigantic amount of real estate investment per annum.
2. The reporting system of transaction prices. Reducing stamp duty and transfer fee. Punishment those who fail to report. Quality check team and individual valuation assignment for properties worth more than certain value.
3. An ad-hoc authority to pull the resources and conduct the valuation and land acquisition.
4. Training and study visits to different countries.

The feasibility of this task depends on the understanding of the public and the acceptance of the politicians. Long-term benefit of popularity and sustainability for the politicians as masterpieces of the politicians.

At the end, following and evaluation at each step and stage at each area in order to ensure the feasibility.



**Terima kasih** INDONESIA  
*The Ultimate in Diversity*

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**Friday, June 11, 2010**  
**RICS Asia**  
 Dr. Sopon Pornchokchai, MRICS, President, Agency for Real Estate Affairs went to visit the office of the RICS (Royal Institution of Chartered Surveyors) Asia where he is a member. He was welcomed by Mr. Darren Jensen, Director, RICS Asia. He first went to the headquarters of RICS in London in 1999 and met a few RICS Presidents at different occasion.

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**May 26-28, 2010**  
**FIABCI World Congress, Bali, Indonesia.**

**Sun - Wed, May 9-12, 2010**  
**A World Bank Project, Jakarta**

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Wednesday, April 21, 2010  
Real Estate Panel Discussion in Batam

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Sat - Sun, March 27 - 28, 2010  
Teaching Valuation in Phnom Penh

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Friday, March 19, 2010  
Real Estate Speaking in Penang

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February 14-19, 2010  
Real Estate Training in Nepal.

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Saturday, December 12, 2009  
Real Estate Presenting in Yangon

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