



Real estate globalization: Establishing int'l. standards

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If there is one positive trend to take from the recent credit crunch it is that the real estate industry has truly globalized. Effects of the U.S. housing market were felt around the globe, which demonstrates the interconnected nature of markets and establishes a greater need for international standards.

Today's global marketplace has drastically altered the real estate landscape, requiring professionals to have a greater understanding of international markets and practices. Technology has made it possible to move capital around the globe instantaneously, and to transport people and materials rapidly and inexpensively. Cross-border dealings are no longer common, but are becoming the norm for businesses. In a way, it is impossible to just conduct "local" business. Development in any city involves some degree of foreign capital, materials trade and intercontinental expertise. Additionally, many of the tenants who take space in local shopping malls, office buildings and warehouse projects are based overseas.

As the industry shrinks, establishing international standards is becoming more important. On a materials level, the challenge lies in countries utilizing various units of measure. The challenge on the accounting side is that differences in valuation can cause inefficiencies in the global market.

Real estate associations have a unique opportunity to take a leadership role in setting these standards of measurement and valuation. This is true in that they have the ability to pool the expertise of their diverse membership bases and to become positive agents of change. As impartial bodies and trusted sources of information, associations are well-positioned to serve the industry as a whole and to lay the groundwork for standards.

One example of a real estate association promoting such standards is the creation of International Valuation Standards (IVS) by the International Valuation Standards Committee (IVSC). Formed in the early 1980s as part of an initiative between The Royal Institution of Chartered Surveyors (RICS) and leading U.S. real estate valuation institutes, IVSC's goal was to develop common real estate valuation practices. After publishing the comprehensive IVS document in 2000, the IVSC has had an increasing influence on valuation practice in more than 50 countries. The IVS has been so well received that IVSC is now expanding its scope to develop general accounting standards that will be utilized by other industries.

As with the creation of IVS, top real estate associations are joining forces to create global standards by offering internationally-recognized certifications, such as the Chartered Environmentalist Certification. While the certification was created by the Society of the Environment, associations such as RICS, Institution of Environmental Sciences and Institution of Civil Engineers also support the initiative by offering certification to their qualifying members. All participating organizations have agreed to follow the requirements of the Society of the Environment, setting one of the first internationally-recognized green practice certifications.

In addition to pooling the knowledge of their members, associations will continue to create international movements through globally-recognized education and networking efforts. Multi-national associations will further encourage members to think globally by bringing professionals together and setting a stage for the exchange of ideas and best practices.

While many real estate professionals belong to associations for networking purposes, it is equally important that they choose associations in tune with global sentiment. As professionals outgrow their background in real estate and capital flows continue to overlap, expanding globally is the only approach that makes sense for today's real estate professionals. Globalization has connected the people and economies of the world in ways we once never dreamed possible. As we learn to embrace our global community, we have the exceptional opportunity to learn from each other and to improve our practices accordingly.

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