

# HODGEPODGE SOLUTIONS TO THE VALUATION OF UNREGISTERED LAND

Steven NYSTROM, USA

**Key words:** Valuation, Unregistered Land, Real Property, Emerging Economies, Land Tenure.

## SUMMARY

This paper will focus on a combination of methodologies that can be used to economically value unregistered land in emerging economies. A superior understanding of when and how to combine various valuation methodologies will result in more accurate and cost effective valuation solutions in these emerging land markets. This can lead to faster development of private land markets, more efficient economies, and allow more resources to flow where they can be best utilized.

Emerging and developing economies include land markets with an unregistered land component equalling about 70% of the total market. There are a variety of situations and good reasons why NGO's and other international actors (such as the United Nations) are focusing on improving the valuation methodologies for these unregistered lands. These valuation refinements are a way to spur the development of land markets from the bottom up, while other initiatives such as formal registration and mapping initiatives focus on a top down approach.

A variety of Land Tenures need to be taken into account when examining the simple, complicated, complex, and wicked problems surrounding the valuation of unregistered land (rural customary land and squatter land), and the broader economy surrounding such land. Traditional rights, group tenure (group ranches, trust land), community land trusts, share certificates, and other informal tenure types all have occupational rights, but document or title registration is often non-existent, very slow or a corruption fraught process.

The process of western land market commoditization may not be appropriate in the short and mid-term given the current state of many land markets and the currently accepted forms of tenure. Creative and cost efficient ways to value the land, and spur the land markets into greater efficiency are needed in light of the unique challenges of unregistered land markets and the myriad of different cultural and local norms surrounding their functional activity. However, without a careful examination and step by step "fit for purpose" approaches to solving these problems, attempted western style improvements to these land markets functioning can exacerbate gender and vulnerable group bias and exclusion, open the door for greater corruption, and put local economies and their peoples at risk. All change, even long term positive change, includes both risk and turmoil. Clearly, creative, incremental, and measured land market changes should be applied to minimize negative effects to the people

and local economy during the period of change, while maximizing land market efficiency and performance, enhancing the ability of the local economy to positively expand and evolve with changing world markets and opportunities.

It is in light of this complicated background that appropriate and efficient land valuation techniques need to be adapted to these unique challenges. Unregistered land often includes a lack of formal ownership or documentation, minimal sales or rental transaction data, only partially verifiable boundaries, and/or limited governmentally protected security of tenure. These and other related challenges make it difficult, and often very expensive to accurately estimate real property value.

This paper will explore the possibility of utilizing a hodgepodge of valuation approaches, surrounding and tempered by an automated valuation model to efficiently balance the limited availability of data, need for accuracy and time/money resources available. Option pricing theory, productivity methods, and other methods should and will be explored along with more typical; sales, income and cost approaches to value. These should all be coordinated through an adaptable automated valuation model (AVM) platform. An AVM platform allows for increased accuracy over time as both data and resources become more readily available, and allows for the product of the analysis to be a “speaking report” and explain the limitations to the analysis. These AVM conclusions can be used as a first basis, supplemented by the analysis of local appraisers where and when it is needed to adjust conclusions to account for parcel and property specific variables.

The concepts explored in this paper are intended to expand the current sounding board process whereby NGO’s and international actors can analyze the available options for designing a creative and adaptable method to value unregistered land. This paper explores how a hodgepodge of methods can be efficiently utilized around an AVM model. While specific individual approaches may produce unreliable or too costly results, a hodgepodge tempered by an adaptable AVM model could be used to tame the variance within acceptable accuracy levels, subject to specific assumptions and limiting conditions. The role of the local appraiser is still required to adjust for the most unusual factors, but the AVM should enhance both efficiency and accuracy, while also providing for a fairly transparent test of reasonableness.