THE NEED FOR RE-ENGINEERING IN THE TURKISH REAL ESTATE VALUATION SYSTEM

Mehmet Çete
Erciyes University, Kayseri, Türkiye

Content

• Introduction
• The Turkish Real Estate Valuation System (REVS)
  ▪ Historical background
  ▪ Current
    ○ Legislation
    ○ Organizational structure
    ○ Technical frame
• Proposals for the future Turkish REVS
  ▪ Legal
  ▪ Organizational
  ▪ Technical
Introduction

- Real estate values are needed in a wide range of applications.
- Governments should build and sustain real estate valuation systems;
  - to provide transparency of the local land markets, and
  - to make real estate values available for different purposes.
- These systems need to be re-engineered in the course of time as global drivers have considerable impacts on them.

Historical Background

- Real estate values were needed only in taxation of land in the Ottoman times.
- Privatization of land increased the number of applications in which values are needed.
- Today, many public and private organizations need real estate values.
- This aroused the need to establish an appropriate real estate valuation system in the country.
- However, this need has not been met to date.
Historical Background

- A number of laws & regulations have been enacted overtime resulting with scattered and insufficient legislation.
- Many public institutions have been authorized to carry out real estate appraisals, without an umbrella or leading institution.
- Databases of real estate characteristics and sales prices have not been constructed yet.

Current Legislation

- Current legislation on real estate valuation in the country.

<table>
<thead>
<tr>
<th>LEGISLATION</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law on Income Tax</td>
<td>1960</td>
</tr>
<tr>
<td>Law on Tax Procedure</td>
<td>1961</td>
</tr>
<tr>
<td>Law on Immovable Property Tax</td>
<td>1970</td>
</tr>
<tr>
<td>Regulation on Tax Value Appraisal</td>
<td>1972</td>
</tr>
<tr>
<td>Law on Capital Markets</td>
<td>1981</td>
</tr>
<tr>
<td>Law on Expropriation</td>
<td>1983</td>
</tr>
<tr>
<td>Regulation on Valuation of Immovable Properties</td>
<td>1987</td>
</tr>
<tr>
<td>Regulation on Land Registry</td>
<td>1994</td>
</tr>
<tr>
<td>Communication about the Valuation Service Companies</td>
<td>2001</td>
</tr>
<tr>
<td>Regulation on Organizations Providing Valuation Service to Banks</td>
<td>2006</td>
</tr>
</tbody>
</table>
Valuations are carried out by real estate valuation commissions and licensed/unlicensed private appraisers.

The commissions make valuations for several purposes in their institutions and are composed of members from several disciplines.

Except the technical people in suits for expropriation, commission members do not have to have a license or certificate.

Turkish Capital Markets Board has organized licensing exams of appraisers since 2002.

There are two types of license:
- real estate appraisal and
- housing appraisal.

Only bachelors can enter to these licensing exams.

3 years experience is needed to get the license of real estate appraisal, while this time is 1 year for the housing appraisal.
Organizational Structure

- Today, total number of the licensed experts are about 3000.

- The Turkish Union of Real Estate Appraisers was constructed as a public corporation in 2007.

- Main duties dedicated to the Union are:
  - to carry out researches to provide development in real estate market and real estate valuation;
  - to educate and certificate real estate appraisers;
  - to form professional rules and valuation standards;
  - to prevent unfair competitions;
  - to establish coordination with other organizations;
  - to inform members about professional developments; and
  - to prepare and publish statistics on real estate values in both regional and national level.
Technical Frame

- The cost, the income and the sales comparison methods are used in real estate valuations.

- Data needed in the valuations are gathered from several resources.

- The only progress made in this aspect currently is protocols signed between the Turkish Union of Real Estate Appraisers and the Turkish General Directorate of Land Registry and Cadastre to provide appraisers’ access to land registration data through the Internet.

The Need for Re-engineering in the Turkish Real Estate Valuation System

Mehmet ÇETE

Technical Frame

- The International Valuation Standards (IVS) has been translated into Turkish language as a resource for the Turkish appraisers.

- Nowadays, the Turkish Union of Real Estate Appraisers is trying to prepare the Turkish Valuation Standards mainly by adapting the IVS into Turkish legislation.
The Need for Re-Engineering

- Although a number of improvements have been made recently in the Turkish Real Estate Valuation System, the system has not got a comprehensive, systematic and healthy structure yet.

- Main cause of this situation is lack of a comprehensive plan to built an appropriate system and thus the improvements made are not parts of a comprehensive plan.

A Proposal for the Future Turkish REVS

- In this context, it is recommended that:
  - an appropriate Law on Real Estate Valuation is enacted to provide integrity in the related legislation;
  - a leading institution is established to manage and organize all valuations carried out for different purposes throughout the country;
  - databases of real estate characteristics and market prices are built to use in all real estate appraisal works performed in the country;
A Proposal for the Future Turkish REVS

- mass appraisal systems are built to carry out automated valuations;
- Geographical Information System technologies are used during the valuations;
- up-to-date value maps of cities are prepared and published;
- access to real estate values by the relevant people through the Internet is provided.

Thank you..

Mehmet Çete, Assoc. Prof. Dr.  
Department of Geomatics  
Faculty of Engineering  
Erciyes University  
38039, Kayseri, Türkiye  
Phone: +905302077800  
Fax: +903524375784  
E-mail: mcete@erciyes.edu.tr