I. DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)
II. OUTCOME PAPER (DITEG) # 25

April 8, 2005

1. Topic: Valuation of real estate.


3. Recommendations:

   (i) In the course of the useful discussion on this topic, DITEG recognized the importance
       of the widespread statistical problems concerning the collection and compilation of data
       on direct investment in real estate realized by individuals (even if 75 per cent of the 53
       countries for which purchases and sales of land and buildings by individuals are
       applicable include these transactions in their inward and outward FDI transactions data,
       according to the 2001 SIMSDI).

   (ii) In order to calculate the market value of stocks of foreign direct investment in real
        estate, DITEG encouraged the continued effort undertaken by certain international
        organisations (EUROSTAT notably) to develop real estate price indices.

   (iii) DITEG expressed a preference in using real estate price indexes rather than a more
        general price index (such as the price deflator for gross domestic product which would
        provide a rather imperfect estimate) in order to calculate the market value of real estate
        stocks. A general price index can not be a suitable indicator to reflect the evolution of
        the real estate markets.

4. Rejected Alternatives:

   The group rejected the exceptional use of acquisition cost to calculate the market value of
   real estate stocks in the case where transactions were not conducted in the most recent past.

5. Questions for the Committee:

   (i) *Do the Committee and the WIIS agree with DITEG’s recommendation to encourage the*
       *use of real state price indexes (despite their methodological heterogeneity among*
       *countries) rather than a more general price index to calculate the market value of real*
       *estate stocks?*

   (ii) *Do the Committee and the WIIS agree with DITEG’s recommendation to reject the use*
       *of acquisition cost in the same purpose?*