

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

**April 8, 2005**

**1. Topic: Valuation of real estate.**

**2. Issues: See DITEG Issue Paper # 25 by France (October 2004)**

**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?*