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Changing demands for property professional service and its impact on tertiary courses – an Australian study

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Abstract

Over the last decade there has been a demonstrable shift of the demand for property professionals in Australia. This has been driven, in part by rapidly changing technologies and client demand; however, it also reflects the growing complexity and level of sophistication of property markets and the strategic and operational management of this asset class.

These changes will almost certainly impact on the existing workforce in the short to medium term and, therefore, should influence both tertiary education programs and professional development courses. The expectations and aspirations of students now entering these courses also need to be considered.

Whilst these would seem to be critical issues for the professions, students, educational institutions and ultimate clients, much of the information on and projections of future demand for property professionals in Australia appears to be, at best, anecdotal.

In 2010, the author, in association with the Australian Property Institute, collected primary data from key informants drawn widely from senior property professionals and from client / user groups of valuations and property analysis, in both the public and private sector organisations. The informants were asked to provide their perspectives on the current and future roles of property professionals across the business and wider community.

The results of in this study indicate that there is uncertainty regarding the future of some of the mainstream activities currently undertaken by valuers. Much more positively, however, this research strongly identifies a growth in demand and emerging opportunities for generic professional skills in property.

These findings may have a significant impact, not only on the profession and professional bodies, but also in providing some clearer direction to tertiary and other institutions providing both initial qualifications and professional development courses and retraining into the future.

Key words: Australian property sector, Changing role of property professional
Tertiary property courses, Professional development and retraining

1. Introduction

A number of the inherent characteristics of property valuation and related activities make them resilient to changing demands and environments. Firstly, much of the work involves professional opinion as to current markets and future prospects and such matters will always rely on the skill and experience of the individual professional involved. The role of the 'expert' will remain critical in both instilling confidence and managing risk. Secondly, and related to that, each parcel of property and its improvements is unique and therefore difficult to standardize as some form of uniform commodity often required for generic modelling. Finally, the market itself in a developed country such as Australia continues to become more complex and sophisticated and the interpretation of that reinforces the human expert component identified above (Gilbertson and Preston 2005).

None of this implies that in some way the property profession is quarantined from the radically changing physical, economic and social / community environment. The rapid aggregation of property specific data and its wide access now results in a much more informed clientele with its own ability to assess value and to interpret markets.

Given the rate of this change and the availability of such information, it would be naive to believe that the practice of valuation and of other property professionals will remain as it has been in the past.

The question now is how best to identify what indeed will be the role of such professionals, by the end of this decade. This is of vital interest to those directly involved in the profession now but, arguably even more so, to the educational institutions who are today educating tomorrow's professional workforce. It would also be vital information for professional bodies, such as the Australian Property Institute (API), the Royal Institute of Chartered Surveyors (RICS) and major employers, to insure that opportunities are seized through retraining, research and information sharing.

This work is based on a review of property education literature and a primary data collection from a range of key informants across Australia. It attempts to identify these future requirements to inform future educational programs that will prepare property professionals for sustainable, value-adding work into the future.

Such adaptation will take time. The recognition of the issues and opportunities and the instigation of specific action to address them are considered to be a matter of considerable urgency for the whole of the profession.

2. Industry / sectoral background

Tertiary education in the property sector, aims to produce industry-ready graduates equipped with relevant and contemporary knowledge and skills and able to adapt quickly, contribute to, and be successful in, their chosen profession. For property professionals, that environment is changing radically. Magdziarz and Crowell (2007) observed that the basic skills of being able to analyse and assess the market remain of fundamental worth but now need to evolve and be applied into a wide range of more complex and professionally more challenging and interesting areas. According to Boyd (2002) the future of the entire profession depends on the adaptation to industry demands, globalisation and communication.

To achieve these professionals must stay 'ahead of the curve' and recognise in this environment the critical role of training / retraining and education (Robson & Downey, 2010).

Foremost amongst these has been the availability and analysis of data, much of which can be increasingly used in 'bulk market' areas such as residential mortgage valuation. Robson and Downey (2010) recognised not simply the inevitability of these advances but highlighted the need to proactively use such technologies and advances as strategic partners to assist the valuer/property professional in his or her judgment - therefore considering such inevitable change an opportunity rather than a threat. They also noted that while automated processes and products will challenge some mainstream activities. However, they believed that governments and corporations will, into the future, insist on much higher quality and more detailed valuations and assessments in the increasingly complex areas of large-scale property investments and the interface between government and citizens and the wider community. This new environment is creating new, different and interesting opportunities in a range of more complex property development and commercial areas, in areas of litigation, arbitration and mediation and in emerging areas related to impact assessments and environmental trade-offs (Page 2007).

If, in fact, the changing demands can be better defined, then there are very significant implications for the tertiary education providers in the field. In the area of formal tertiary education, a change in emphasis and perhaps new study areas may be required. Certainly, increased emphasis on an extension of work integrated learning programs would also appear essential as would more formalised retraining of existing professionals to meet new market demands (Symes & McIntyre 2002; Smith & Ors 2009).

3. Tertiary teaching and learning in property

Property programs have now been established over thirteen Australian universities, many of which have industry accreditation. In Graduate Careers Australia's course experience questionnaire (CEQ) conducted across seven universities over the period over 1994 – 2001, overall student satisfaction appeared to be quite high and had improved over time (Newell, Susilawati 2010). Whilst this is very encouraging, it may be suggested that such surveys reflect courses that have been delivered in the recent past and up to the present day. How they might prepare students for the likely sectoral changes ahead would be impossible to gauge in analysis of this type.

As well as the substantial changes occurring in the property sector, quite different and, often unrelated issues are driving change in the Australian tertiary education and research (Hefferan & Ross 2009). The interface between changing market demands for property professionals may not be easily accommodated by perhaps less compliant tertiary institutions. New corporate goals and strategic directions may make it more difficult for these institutions to meet the sometimes prescriptive requirements of relatively small professional groups and their accrediting organisations.

Hefferan and Ross suggested that over time there may be some rationalization of such tertiary courses – not necessarily because of a reduction in demand for tertiary property qualifications per se - but rather a rationalisation of activities by some, particularly larger, universities as they pursued higher student volumes, dual degrees and/or concentrated on more prestigious accreditations. The small number of property academic staff with PhDs and the lack of research profile in the area would also continue to reduce the interests of some universities in these programs.

Such a change in approach was not simply emanating from individual universities. In 2008, the Bradley Report into tertiary teaching and learning and the Cutler Review into Australian research were instigated by the Commonwealth Government and are now being implemented with very significant effects on the future direction of Australian universities. The Bradley Report will introduce a further deregulation of the tertiary education sector commencing in 2012. With that, radical changes in course structures and a greater emphasis on large scale, high demand and high profit programs, may come at the expense of the current range of more specialist, free standing courses, such as property.

Meanwhile, the Cutler Review encourages the concentration of research into larger, high quality centres. The effect, either positive or negative, that this strategy may have on specialist niches such as research into the property sector remains unclear. Certainly, such areas have been grossly under-represented in research funding in the past and it remains uncertain how the new structures will address this situation.

Overall, and of relevance to this work, is the observation that not only are the skills required for future property professionals changing but also complicated by the fact that the tertiary institutions expected to accommodate such change are themselves under radical restructuring and a future disconnect appears likely.

4. Australian Property Institute and this study

The Australian Property Institute (API), through its National Education Board (NEB) undertakes, as part of its charter, the accreditation of undergraduates and post graduate university courses which, when combined with recognised practical experience and formal interview processes, permit membership to the Institute (API 2004).

The NEB recognises that universities have a fundamental responsibility to establish successful tertiary programs. The NEB also offers an interface with the profession and some level of guidance as to the direction and demands of the professions and the sectors in which they operate into the future. Whilst most universities, faculties and property programs have their own industry advisory groups to assist with such guidance, the NEB recognised that these university-based groups probably had neither the time nor the resources to consider longer term, demand issues.

For that reason, through the first half of 2010, the NEB embarked on a research project, managed by the author, to provide more robust information of the future demand prospects. The project had challenges. The profession is small and scattered and many individual practitioners are probably not well placed to provide more than personal opinion on such strategic issues. Whilst personal observations are important there was, with respect, no reason to believe that individuals acting in their own local section of the market would really be in a position to provide a detailed analysis of likely national property environments, or advice on the role of relevant professionals in those markets.

Further, it was recognised that a large survey would be both expensive, time consuming and, difficult to target. For reasons outlined in Section 5 below, it was decided to seek the opinion of recognised experts in the area – drawn from all parts of Australia, from both public and private sectors and those representing senior members of the profession and of key user groups / clients such as financiers, asset owners, and resuming authorities. Representatives of other related industry groups, statutory officers such as Valuers General and members of the judiciary with particular responsibilities into the property sector were also to be approached.

5. Research methodology, structure and process

Given the parameters outlined above, the research methodology selected involved a structured, mail-out questionnaire to a range of key informants or experts who, on the basis of their recognised experience and position, should be in the best position to observe and comment on both the contemporary environment and forecasts into the future.

Rowe and Wright (1999) and Tonelli (1999) attest to the inherent value and primacy of empirical, evidence-based data and of statistical analysis. They accept however, that all research strategies have their own, intrinsic advantages and drawbacks. In any case, in a research project such as this which contemplates environments and demands well into the future, an absolute answer simply cannot be available. Given this, the results of any analysis must be accepted as the identification of key issues and most likely scenarios that will continue to evolve rather than some first step on a definitive path. The challenge then becomes the choice of research methodology that could best absorb the current environment and make reasonably reliable observations on those future scenarios.

Mitchell (1992), in contemplating the role of experts in Delphi analysis noted that often, the matter under investigation did not have reliable, historic, statistical or trend data and, often too, the matters being considered were so varied and complex that the subjective judgment of experts was beneficial, and arguably essential, in drawing together and enriching general observations. These characteristics certainly apply to contemporary property environment and its future projections, given its diversity, complexity and rapidly changing market parameters. Tonelli noted that in some areas, expert opinion was seen as of lesser value than empirical evidence. Even if that was the case, until such empirical evidence became available (usually, only in retrospect) then the opinion of experts was indeed worthwhile and quite valid. He observed further, that the expert, and particularly the aggregated opinion of a number of experts, in fact included a range of interpreted sources – experiential, contextual, sometimes empirical and, additionally accredited experts could bridge the gap in joining together and interpreting data from a range of sources that even the best empirical research would have difficulty to establish.

This was not to imply that the role of experts was appropriate in all cases. Clayton (1997) and Mosleh and Bier (2003) warned particularly of difficulties that may arise where a range of expert opinions are sought to consider specific issues, problems or risks. Here, the range of opinion may well cause an averaging or a ‘middle of the road’ response in practically all cases. Clayton also noted that the manner in which the informant experts are chosen, the nature of the survey instrument and whether the opinion of experts is taken singularly, through the aggregation of individual responses or by ‘round table consensus’ are important decisions that need to be made, depending on the circumstances of the case. Clearly, there were a number of components in a way in which the process was applied in

a particular case and they could be so applied as to enhance the quality of outcomes and to compensate for limitations and risks inherent in that chosen methodology.

On the basis of all of this, it was accepted that the collated opinion of a range of experts would represent an effective method of data collection but that potential issues related to the uniformity of questioning, the identification of those key informants, confidentiality and the method in which the information was collated and analysed.

This project commenced in late 2009 where, through a series of meetings, the National Education Board (NEB) considered what seemed to be some of the fundamental threats and opportunities that were emerging in the present and future employment of valuers and property professionals. The NEB was well placed to discuss and reach conclusions on such matters, given that it comprised eight senior property professionals and senior academics drawn from across Australia, and was well experienced in the evolution of the property sector and tertiary education of property professionals.

After a series of discussions and iterations, a questionnaire was agreed which canvassed matters such as residential and commercial valuation, investment and development analysis, the role of the expert witness and mediator, the future employment prospects in asset and property management and finally, potential work in the financial assessment of environmental impacts, trade-offs and environmental banking.

Given the complexity of some of the proposals, the number of questions was limited to seven (several with supplementary proposals, seeking observations of likely change over different timeframes). Even so, it was sometimes difficult to adequately yet concisely frame questions which introduced largely unknown concepts such as environmental trade-offs and banking.

Each of the state Divisional Offices of the Australian Property Institute were contacted and asked to supply a list of 12 to 15 individuals that represented the leaders of the property sector in a particular region, in addition to some of the key clients of valuation and professional property services.

Typically, the list included the CEO's of valuation and property consultancy and property marketing companies, Valuers General and members of the property judiciary, CEO's of asset trusts and funds, senior representatives of leading banks and public officials responsible for compulsory acquisition and asset management.

The compiled lists were forwarded to the API's national office in Canberra who distributed the questionnaires in envelopes marked confidential, mailed with a covering letter explaining the process. The correspondence included the questionnaire which was undertaken anonymously and based on individual, not corporate opinion. Provision was made for a confidential return of the completed questionnaire to the collating officer in the API's Canberra office.

In parallel, senior members of the state Divisional Councils rang each questionnaire recipient, to encourage their participation. A total of 53 questionnaires were returned of the 88 sent. This was considered to be a very satisfactory response rate.

The questionnaire also provided opportunity (at the end of each question and at the end of the document) for respondents to add any additional observations or recommendations. Practically all availed themselves, to a greater or lesser extent, of that opportunity, probably reflecting a significant interest in the topics and a willingness to consider and be involved in more than a simple numeric response to questions.

6. Outcomes

Seven core questions were asked – in each case, seeking expert observations on various components of property and property professional activities, as they see them now and into the future. Importantly, in most cases, quite strong opinions emerged. Given the nature of the research vehicle, it was only perhaps where very strong consensus emerged that the outcomes were of particular importance. Clearly, given the relatively small sample of 53 responses, tight clustering was necessary to identify real trends. In such a sample, a relatively small number of outlier or aberrant responses could dramatically skew averages and standard deviations and any wide dispersal of responses should be accepted with caution. In most cases however, the trend data was quite strong and therefore, within the parameters of this study, could be reasonably accepted.

Overall, responses were as follows:

In *Question One*, the informants were asked to observe that, in the employment of valuers, how important was the undertaking supply of residential finance valuations.

The response, as might have been expected, recognised the high level of reliance of that work at this time. Sixty-five percent rated its importance as 7 or higher on a scale of 10. Considering the likely situation in ten years, the response was more dispersed but now only 25 percent considered that it would be in the range of 7 or higher. Importantly, 40 percent advised that it would be of little or no importance, i.e. one or two out of ten.

Question Two sought a response to a similar question but, in this case, as regards valuation, analysis and related professional services related to commercial and investment properties. Clearly, the informants saw this as a much more sustainable area and opportunity, perhaps based on the growth in scale and complexity in this part of the market. Practically all said this was a critically important area with ninety-eight percent recognising it as very important (7 or higher). In stark contrast to the previous question, and the same response (98% at

a score of 7 or more) was received when Question Two was considered as at the year 2020.

Question Three asked the key informants to consider the role of property professionals in providing input to development, projects, and feasibility studies and similar activity areas. Again, the response here was very strong and positive with 92 percent recognising it as a very important role for property professionals (i.e. 7 or higher) both at the present time and 2020.

Question Four asked the key informants to comment on the sometimes sensitive demarcation between a valuer acting as an independent expert (and potentially as a friend of the court in litigation) as opposed to a role of professional advisor and, perhaps advocate. Again, there was strong and clear opinion. Both now and in to the future, over 80 percent of respondents noted the importance of this demarcation as '7 or higher'.

Whilst, not on the face of it, derogatory to the role of advisors / advocate, the informants strongly believed in the segregation of these two roles but recognised that both roles (as long as they were clearly defined in instructions) have considerable 'value add' to owners, buyers and sellers across the public and the private sectors. This also supports the observations of Gilbertson and Preston 2005.

Question Five sought the opinion of the key informants as to the potential increase in the role that valuers and property professionals could play as experts both in litigation and particularly in the growing area of mediation and arbitration. Again strong consensus emerged here with again over 80% recognising this as an area of high growth and potential (identified as seven or higher out of ten).

Accompanying comments and opinions often noted that this was a particular area where valuers already had credibility and status as experts and where, clearly, the legal system was moving to establish much less adversarial and litigious solutions.

Question Six sought an opinion as to whether valuers and other property professionals should become more involved in property and asset management activities (including land management and tenure activities). Here, the opinion was much less clear. Fifty-three percent did consider that it represented a very important opportunity (seven or more) but results were less succinct and scattered across a standard deviation of 2.4. Over 50% were mid-clustered (between four and seven out of ten). It may be interpreted from this and accompanying comments that, depending on the circumstances, there may be opportunities but a number of these were already suitably addressed by real estate agents, engineers and facilities managers. Overall, as regards this question, detailed research would be required before more specific conclusions could be drawn.

Question Seven recognised that impact assessment reports for major developments and related investigations were becoming much more sophisticated, frequently involving land rehabilitation, environmental protection, environmental trade-offs,

banking and the like. Market orientated assessments and monetary equivalent will often be required in such investigations and the demand for these will almost certainly increase over time.

The experts, through their numeric response and attached comments, were clearly of the opinion that this was a growing area – though, based on their understanding as reflected in their comments, it was still too early to be able to closely define those professional needs. Sixty percent of respondents identified it as very important (seven or above out of ten) which, whilst not as strong as some of the earlier opinions, still represented clear trend data, particularly given that, in responses to this question, 88% of respondents assessed its importance at five or above. Given the quite formative stage of these concepts, in the wider government and business sectors and across the wider community, this level of recognition of opportunity is significant. It would again suggest that further detailed investigations of these matters and how they may affect property professionals and their education would be well worthwhile and timely.

7. Conclusion

This work observes that whilst the fundamental skills of property professionals, including valuers, are likely to remain relevant, the nature of the future work that they are likely to undertake will be significantly different. Meantime, interface issues are emerging between changing industry demands and a significant restructure of the tertiary education sector in Australia, makes the final outcomes difficult to predict at this time.

Based on original research undertaken in 2010 which involved a review of current relevant literature followed by the collection of observations from 53 experts and key informants from around Australia, a number of predictions regarding the likely demands and skills for valuers and property professionals into the future has been established.

Key findings from the research confirmed that the generally held belief that residential mortgage valuation work currently carried out by such professionals is likely to diminish considerably. Meanwhile those same skills were likely to remain in very high demand in commercial, development, and other complex property dealings particularly with having regards to the much more sophisticated markets and transactions emerging in the market.

Mediation and expert witness roles also appeared likely to increase as would further involvement of such professionals in impact assessments and environmental management involving market dealings. Further work is now required in better defining those later opportunities and, those related to increased involvement in asset and property management.

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