



# Respecting Private Property Rights

As its economy evolves, China pursues valuation and acquisition best practices

BY DAVID E. BURGOYNE, SR/WA, ASA

**Today, citizens of all countries expect their private property rights to be honored by the government, and people around the world now view the lack of such respect as a rights violation. Protecting private property rights has become fundamental to economic growth and development. Any country that wants private development must assure prospective investors that they will be protected. This is certainly the case with the People's Republic of China.**

I had the good fortune to teach IRWA courses in China on two occasions—once in Beijing in November 2014, and most recently in Shen Zen and Guangzhou with IRWA President Lee Hamre, SR/WA, last May. Lee and I were invited to sit on an evaluation panel for the Municipality of Shen Zen to comment on and approve a comprehensive three-dimensional real estate database. It included elevations, GIS, infrastructure, economic and financial data, demographics and other data for all the real estate in this city of almost 11 million people. It was quite impressive.

On that same trip, Lee and I also attended the Chinese Real Estate Valuers Association (CREVA) Conference in Guangzhou, where we both presented an education session to almost 400 appraisers and took part in a panel discussion. After teaching a streamlined version of Course 421 for the attendees, I was asked to present a mini session on negotiations. Luckily, I've learned to be prepared for the unexpected.

### The Desire to Protect

While China and much of the non-Western world historically have not held sacred the tradition of protecting private properties as first established by the Magna Carta in 1215, they have every reason to protect private property rights today. The same is true with the benevolent monarchies of the Middle East, where I have also taught classes.

The Chinese are now extremely interested in partial takings and damages, so the content of IRWA Course 421 and my presentation on valuation for acquisition were well received. The attendees were particularly focused on learning how to properly compensate owners when private property is expropriated. Given that they have the world's largest economy, this makes sense. Yet, some might wonder why a communist dictatorship is concerned with compensating property owners for their property when it is taken. People assume that a country like China could simply seize one's property without compensation. But nothing could be further from the truth.

Changes to protect private property rights in the People's Republic commenced when the Chinese Constitution of 1982 was amended in 2004 to state that: "The lawful private property of citizens shall be inviolable. The country shall protect in accordance with law citizens' private property rights and inheritance rights. The country may, as necessitated by public interest, expropriate or requisition citizens' private property and pay compensation therefore."

After years of debate, a 2007 Property Law was passed to enforce this Constitutional change, but a method for determining actual compensation in the event of an acquisition was not addressed. In rural, agricultural settings, the law called for compensation for loss



In 2015, David and Past International President, Lee Hamre, SR/WA, traveled to China to instruct IRWA courses, participate in panel discussions and present sessions at the Chinese Real Estate Valuers Association Conference.

of land, structures and standing crops, and resettlement subsidies (relocation). To address urban property expropriation, regulations that interpreted the law became effective in 2011. These regulations officially disallowed the use of violence, coercion or illegal methods, like cutting off the water and power supply, to force homeowners to leave. This is demonstrative of the Chinese Government's desire to protect private property rights and reflects a significant change over the past years. IRWA's efforts in China have focused on helping appraisers to implement these recently adopted policies as they strive to provide the professional support necessary.

### A Longstanding Relationship

IRWA's relationship with China dates back to 2008 when FIABCI (The International Real Estate Federation) invited International President Faith Roland, SR/WA and IRWA's Executive Vice President, Mark Rieck to attend a meeting in Beijing. Since then, IRWA instructors have made other official visits to teach IRWA courses and participate in conferences. Past International President Randy Williams, SR/WA and Master Instructor Donnie Sherwood, SR/WA have both taught The Appraisal of Partial

Acquisitions, and all three of us have been asked by the Chinese to design unique seminars or presentations of particular interest to them, sometimes on the fly. This has always proved to be an interesting challenge, especially given the use of sequential (not simultaneous) interpretation with live translators.

The prevailing attitude of the protection of private property rights—and the exploding need for new infrastructure in Asia, Africa, Latin America and the entire world—creates a unique opportunity for all right of way professionals. It also positions IRWA, as the central authority in global infrastructure real estate, to have a lasting positive impact on the world we live in. I, for one, am very excited about this. You should be, too. ★

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