



Beyond Borders: A Global Perspective of International Real Estate Valuation

CHAPTER 63:

VALUATION CHALLENGES IN MARKETS WITH HIGH LEVELS OF SOCIAL INEQUALITY

SEPTEMBER 16, 2025 | BRUCE D. GREENBERG, FRICS | MAI | SRA | ASA | ARM

In the context of global real estate valuation, social inequality has emerged as a critical factor influencing property markets and valuation outcomes. In countries and regions characterized by pronounced disparities in income, education, healthcare, and housing access, property values are often shaped not only by economic fundamentals but also by deep-seated societal divides. For valuation professionals, this complexity introduces significant challenges, particularly when appraising properties for legal, investment, or tax purposes in socially polarized environments. Understanding and navigating these challenges is essential for delivering fair, transparent, and contextually relevant valuations.

Socioeconomic Inequality as a Market Variable

Social inequality manifests in several ways that impact property valuation:

- **Disparate Demand Drivers:** In highly unequal markets, property demand often skews toward luxury or informal housing, with a hollowing out of the middle market. This bifurcation complicates comparables and pricing models.
- **Informal and Unregulated Settlements:** Valuers operating in countries with high inequality (e.g., parts of Latin America, South Asia, or Sub-Saharan Africa) frequently encounter large informal housing sectors. These properties may lack legal title, utility infrastructure, or compliance with zoning laws—yet they represent a sizable share of urban real estate stock.
- **Public Investment and Infrastructure Gaps:** Government investment is often uneven, favoring

affluent neighborhoods. This leads to stark variations in locational premiums even within short distances, making location adjustment metrics volatile and difficult to standardize.

- **Credit Access and Market Liquidity:** Inequality influences financial inclusion. Lower-income groups often lack mortgage access, suppressing liquidity in large portions of the housing market. As a result, market-based valuation methods such as the sales comparison or income approach become less reliable.

Challenges & Considerations

1. Data Reliability and Transparency

Markets with significant social disparities often suffer from inconsistent or non-existent property transaction data, especially for low-income or informal areas. Traditional valuation inputs—such as sales comparables, capitalization rates, or market rents—may be unavailable or unreliable.

2. Legal Ambiguities

Properties in marginalized communities may face issues related to insecure land tenure or unregistered ownership. Valuation professionals must decide how to handle properties with unclear legal status—a dilemma especially relevant for tax assessments, asset securitization, or infrastructure planning.

3. Political and Social Risk

Perceived or actual instability in socially unequal regions can depress property values or introduce valuation volatility. Valuers must consider the potential for sudden shifts in government policy, expropriation risk,

or civil unrest—all of which disproportionately affect underprivileged areas.

4. Moral Hazard and Ethical Dilemmas

There is a risk that valuation practices could reinforce existing inequalities. For example, systematically undervaluing properties in poorer neighborhoods might disincentivize public investment or reinforce financial exclusion.

Best Practices & Strategies

1. Enhanced Due Diligence

Valuation professionals should incorporate qualitative research alongside quantitative analysis. On-the-ground inspections, community engagement, and local stakeholder interviews can help compensate for data deficiencies and offer deeper contextual insights.

2. Use of Alternative Data Sources

Satellite imagery, mobile location data, and crowdsourced mapping platforms (e.g., OpenStreetMap) can provide valuable supplementary data in areas where official records are lacking. These tools can help identify land use patterns, building density, and infrastructure access.

3. Scenario-Based Valuation Techniques

Given the volatility and uncertainty in unequal markets, scenario analysis can help stress-test valuations. For example, valuers might present a range of value outcomes based on different assumptions about legal regularization, infrastructure investment, or socio-political stability.

4. Adjustment Frameworks for Informal Markets

For informal or semi-legal properties, valuers should develop standardized adjustment frameworks to

estimate discounts related to legal risk, access to utilities, and marketability. This may involve the use of proxies or benchmarks from comparable settlements.

5. Policy-Aware Valuation

Especially in public-sector or advisory assignments, valuers should be aware of social equity goals. Aligning valuation models with inclusive planning objectives—without compromising professional standards—can contribute to more equitable urban development.

Hypothetical Scenario

Consider a valuation of a multifamily property located in a rapidly urbanizing district of Nairobi, Kenya. The neighborhood contains both formal, developer-built housing and adjacent informal settlements. Transactional data is sparse, and many properties operate outside the formal banking system. A traditional sales comparison approach is difficult to apply.

The valuer adopts a hybrid approach:

- Uses available formal transactions with location-based adjustments drawn from satellite imagery on road access, density, and proximity to utilities.
- Applies a risk-adjusted discount for informality, derived from legal surveys and municipal infrastructure plans.
- Engages with local NGOs and municipal planning offices to triangulate property usage and expected policy shifts.

The final valuation includes three scenarios—status quo, regularization, and infrastructure upgrade—with transparent assumptions and probabilistic weighting.

Conclusion

Valuation professionals operating in socially unequal markets face a layered set of challenges that demand both technical rigor and contextual sensitivity. The conventional tools of valuation must be augmented with flexible methodologies, alternative data sources, and local engagement strategies. By recognizing social inequality not merely as a background condition but as a key market variable, valuers can produce assessments

that are both accurate and socially responsible. Ultimately, embracing these complexities can enhance the credibility of valuations, support more equitable policy-making, and contribute to a more inclusive real estate investment environment.

Sources & Citations

- UN-Habitat. (2020). World Cities Report 2020: The Value of Sustainable Urbanization.
- Geltner, D., et al. (2007). Commercial Real Estate Analysis and Investments.
- World Bank. (2023). Global Inequality Trends and Impacts on Housing Markets.
- International Valuation Standards Council (IVSC). (2022). International Valuation Standards.
- Lizieri, C. (2009). Towers of Capital: Office Markets and International Financial Services.
- Gilbertson, B., & Preston, D. (2005). A Vision for Valuation. *Journal of Property Investment & Finance*, 23(4), 368–397.



FOUR CORNERS VALUATIONS
REAL ESTATE ADVISORY SERVICES

Four Corners Valuations delivers exceptional valuation and advisory services across the US and globally, offering a unique blend of local expertise and international experience. Utilizing advanced technology and superior data sources, we ensure accurate and comprehensive valuations for developers, investors, lenders, and other stakeholders. With licensed professionals across the United States and experienced in more than 60 countries, we are dedicated to excellence and committed to guiding our clients towards informed and successful decisions.

+1.480.440.2842 www.fourcv.com

OFFICE LOCATIONS

USA

Chicago - Dallas - Houston - Phoenix
Tucson - Washington, DC

INTERNATIONAL

Argentina - Barbados - Brazil
Chile - Ecuador - Guatemala
India - Israel - Mexico
Morocco - Panama - Paraguay
Peru - Philippines - Puerto Rico
Spain - UAE



Bruce D. Greenberg

FRICS | MAI | SRA | ASA | ARM

Managing Director | Principal

+1-480-440-2842 Ext. 01

bdgreenberg@fourcv.com

www.fourcv.com