



Pretend and Extend: A Deep Dive into Commercial Real Estate Lending's Hidden Crisis

CHAPTER 20:

VALUATION AS PUBLIC INFRASTRUCTURE

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Commercial real estate valuations fundamentally shape how capital is allocated across the American economy, how financial risk is priced in banking and insurance sectors, and how municipal tax bases are projected for public budgets. Properties valued collectively in the trillions of dollars secure loans, anchor pension fund portfolios, generate tax revenue for schools and infrastructure, and determine employment patterns through location decisions. Yet the United States maintains no centralized system for tracking historical or real-time commercial property valuations at a national scale.

This gap creates profound opacity that extends far beyond individual transactions. It enables regulatory evasion by allowing distressed valuations to remain hidden from supervisory view. It hinders innovation in financial oversight by denying policymakers the data infrastructure necessary for early detection of asset bubbles or sector-specific stress. It constrains housing policy and urban planning by forcing cities to make land-use decisions without reliable information about how commercial properties are actually valued and performing in current markets.

Treating valuation data as public infrastructure rather than purely private information represents an opportunity for nonpartisan collaboration among policymakers, think tanks, regulators, and proptech innovators. This article makes the case for developing a national valuation registry or verified dataset that would serve as foundational economic infrastructure comparable to credit reporting systems, land title registries, or census data.

The Current Patchwork

The existing landscape for commercial real estate valuation data is fragmented across multiple disconnected systems, none of which provides comprehensive visibility or consistent standards. Private appraisals constitute the primary source of valuation information, yet these reports are siloed across thousands of individual banks, appraisal management companies, and borrowers.

Confidentiality agreements and proprietary concerns prevent sharing even when doing so would serve broader market stability. Appraisal methodologies vary significantly across firms and geographies, making comparison difficult even when data becomes available. No systematic mechanism exists for auditing whether appraisals reflect genuine market conditions or institutional preferences.

Regulatory datasets provide partial visibility for supervisory purposes but remain inaccessible to researchers, market participants, or the public. The Federal Reserve's FR Y-14Q reporting captures detailed loan-level data from large bank holding companies, including some valuation information. The FDIC and OCC collect similar data through examination processes. However, these datasets are confidential, cover only a subset of lenders, and are not designed for research or market transparency purposes. Their value for systemic risk monitoring is significant but limited by gaps in coverage and restricted access.

Proptech platforms have emerged to fill information voids through proprietary data aggregation, but these efforts face fundamental limitations. Data sources are often

unverifiable, combining broker opinions, tax assessments, and modeled estimates rather than actual appraisals conducted by qualified professionals. Geographic and property type coverage varies dramatically. Subscription costs place comprehensive data beyond reach for academic researchers, small market participants, and public agencies. Most critically, proprietary business models create incentives to protect rather than share data, preventing the network effects that would maximize social value.

The result is that no entity can answer basic questions about the commercial real estate market with confidence. How have office valuations changed across different metros over the past three years? What cap rate expansion has actually occurred versus what models predict? Where are valuation assumptions most disconnected from observable transaction evidence? These questions remain largely unanswerable despite their obvious relevance for financial stability and economic policy.

The Case for a Verified Dataset or Registry

A national valuation registry or verified dataset would address these gaps through systematic collection of standardized valuation records that capture essential information while protecting legitimate confidentiality interests. The infrastructure should include several core components.

Standardized valuation records would document reconciled market value conclusions, capitalization rates applied, income approach inputs including net operating income

and expense assumptions, sales comparison data used, and highest and best use determinations. Standardization does not require eliminating professional judgment but rather ensuring that key data points are captured in consistent formats that enable comparison and analysis.

Geographic tagging and timestamping would allow analysis of how valuations evolve across markets and time periods. Property addresses geocoded to census tract or block group level would enable spatial analysis while protecting specific property identification if necessary. Valuation effective dates and report completion dates would distinguish between when properties were inspected and when appraisals were finalized, revealing potential lags.

Anonymized borrower and lender metadata would preserve privacy while enabling analysis of whether valuation patterns differ across institution types or loan purposes. Basic fields such as lender asset size category, loan type, and property use would support research without revealing proprietary information.

Auditable assumptions and methodologies would allow review of whether valuations reflect defensible professional judgments or systematic bias. Documentation of comparable properties used, adjustment rationale, and key assumptions would create accountability without requiring disclosure of complete appraisal reports.

Incentives for participation must address the reality that data contribution imposes costs while benefits accrue broadly. Lenders who submit valuations to the registry could receive regulatory capital relief through reduced risk weights for loans supported by verified data. Participation could grant access to aggregated market benchmarks that improve internal risk management. Federal innovation programs could provide grants offsetting initial implementation costs. Regulatory reporting requirements could be streamlined for institutions that contribute to the registry, reducing overall compliance burden.

Precedents in Other Sectors

The United States has successfully created durable data infrastructure in other domains, demonstrating both feasibility and value of centralized information systems.

Credit bureaus emerged from industry recognition that consumer lending required better information about borrower creditworthiness. Today, Equifax, TransUnion, and Experian maintain comprehensive records that support trillions of dollars in consumer credit while operating under regulatory frameworks that balance information sharing with privacy protection. The consumer credit market would be dramatically less efficient and more expensive without this infrastructure.

Title systems and land registries underpin all real estate transactions by providing reliable ownership records and lien information. States maintain these systems as public infrastructure because certainty about property rights is essential for functioning markets. The efficiency gains from title systems are so fundamental that their absence is almost unimaginable.

National transportation data collected by the Department of Transportation enables infrastructure planning, safety regulation, and economic analysis. Census data gathered by the Census Bureau informs everything from legislative apportionment to retail location decisions to academic research. These systems demonstrate that government-coordinated data collection can deliver immense social and economic value when designed appropriately.

The commercial real estate valuation registry would follow these precedents by creating reliable information infrastructure that reduces transaction costs, improves risk assessment, and enables better policy decisions. The absence of such infrastructure represents an anomaly given the economic importance of commercial real estate rather than a natural state of affairs.

How It Supports Systemic Stability and Innovation

A national valuation registry would generate benefits across multiple domains of economic activity and policy.

Regulators could detect asset bubbles earlier by observing when valuations in specific sectors or markets diverge from historical relationships to rents, construction costs, or economic fundamentals. Current supervisory processes rely on lagging indicators such as loan defaults that only signal problems after significant damage has occurred. Real-time valuation data would enable proactive policy adjustments before distress becomes widespread.

Investors could better price risk and benchmark performance by comparing their assumptions against aggregated market evidence. Private equity funds, pension systems, and insurance companies making commercial real estate allocations currently operate with limited ability to verify that their valuations reflect consensus views. Access to anonymized registry data would improve portfolio management and reduce information asymmetry between managers and beneficiaries.

Cities could plan zoning, housing policy, and infrastructure investments with better ground-truth data about property values and utilization. Current planning processes often rely on outdated assessments or proxy measures that provide poor guidance about actual market conditions. Understanding true valuation patterns would improve land-use decisions and economic development strategies.

Proptech platforms could build smarter underwriting models, risk analytics, and market intelligence products on verified data layers rather than unverifiable estimates. The current practice of building models on modeled inputs creates compounding uncertainty. Verified valuation data would provide the foundation for next-generation financial technology.

What a Pilot Program Could Look Like

Developing national infrastructure requires careful design and testing before full implementation. A well-structured pilot program would demonstrate feasibility while addressing stakeholder concerns. Partnership structure should include a federal regulatory agency such as the FDIC or Treasury providing oversight and policy guidance, a state government such as California or New

York contributing regulatory authority and local market knowledge, and three to five regional lenders or REITs providing actual valuation data and operational input. Academic partners from institutions with real estate research programs would validate methodology and analyze results. Valuation industry participants would ensure data standards reflect professional practice.

Focus on a single property subtype such as office or multifamily and one metropolitan area would limit scope to manageable levels while maintaining sufficient volume for meaningful analysis. A pilot tracking multifamily valuations across the New York metropolitan area over 24 months could generate thousands of records suitable for demonstrating system capabilities.

Funding through federal innovation grants, fintech partnership programs, or economic resilience initiatives would support initial development without requiring permanent budget commitments. Total costs for a properly designed pilot would likely range from five to ten million dollars over two years, modest compared to potential benefits.

Deliverables should include technical specifications for data collection and standardization, privacy and security protocols meeting federal standards, analytical reports demonstrating system capabilities, and policy recommendations for broader implementation based on lessons learned.

Obstacles and Solutions

Several legitimate concerns must be addressed for a national valuation registry to succeed.

Confidentiality protection requires robust frameworks ensuring that competitive information is not disclosed. Solutions include data aggregation that presents metro or asset-class level statistics without identifying specific properties, time delays between data submission and public release that prevent real-time competitive intelligence gathering, and tiered access where researchers receive anonymized data while lenders see only aggregated benchmarks. Cost concerns reflect real implementation burdens on

participating institutions. Addressing these requires automated data extraction from existing systems rather than manual compilation, regulatory reporting credit that reduces other compliance obligations, and public funding for initial development and ongoing administration.

Standardization challenges arise from legitimate differences in valuation approaches across property types and markets. Rather than forcing artificial uniformity, the registry should capture key data points while allowing notation of methodology variations. Transparency about differences enables appropriate interpretation rather than false precision.

Voluntary participation concerns can be addressed through aligned incentives including regulatory capital benefits for contributing institutions, innovation sandbox designations allowing experimental approaches, public recognition as industry leaders in transparency, and most importantly, access to aggregated data that improves participants' own risk management capabilities.

Conclusion: Building Infrastructure for the Next Century

The extend-and-pretend crisis in commercial real estate has revealed the costs of inadequate valuation transparency. Information gaps enabled problems to compound undetected while market participants operated from incompatible assumptions about underlying values. The next phase of market development requires treating valuation data as public infrastructure that supports stability, innovation, and informed decision-making.

The call to action for policy think tanks, federal and state regulators, proptech entrepreneurs, and public-private innovation labs is to fund and execute pilot projects demonstrating the feasibility and value of aggregated commercial valuation data. These initiatives should aim toward the long-term goal of a national registry or verified dataset that serves as foundational economic infrastructure. Four Corners Valuations supports this vision and stands ready to contribute to pilot programs, data architecture development, and public-private frameworks. As a field-based valuation firm committed to transparency

and system-level integrity, we recognize that individual appraisals serve clients while data infrastructure serves society. Both are necessary. Both require professional commitment to accuracy and independence. The work of building valuation infrastructure begins with recognizing its importance and committing resources to its development. That commitment is overdue.



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