




RENE GUDAT, GERMANY

COLLECTION OF PROPERTY MARKET DATA FOR THE VALUATION PROCESS – AN GERMAN APPROACH IN AN INTERNATIONAL CONTEXT

 **Development of market transparency in Germany**

- official committees of valuation experts were introduced by the German federal building code in 1960
- Official committees of valuation experts are assigned to maintain a purchase price collection for valuation purposes, including all purchases of real property (land and real estates)
- aim: to improve transparency of the land and property market using valuation a single property if requested
- legal commentary of the German federal building code declares valuation of property as mayor key for market transparency (*market value*)
 - ➔ But at that time no other products were popular to describe the land and property market

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- Today's land and property markets use a variety of professional products:
 - Analysis of market and locations (popular in Germany since 1980ies)
 - Prognoses of values, rents, vacancy rates (since 1990ies)
 - Analysis of investment strategies (since 1990ies)
 - Due Diligence Real Estate (since 2000ies)
 - Estimation of loan values
 - Compulsory purchase
 - tax purposes
- These products needs market information; sometimes same as valuation approaches; sometimes different
- “new” products are not regulated like valuation; except loan value
- Commercial property markets and rental markets gets into focus of market transparency

- Since 1960, new products and changed legal framework lead to a new definition and understanding of market transparency and new and more data are required:
 - New information for commercial buildings,
 - New information about rents.
- New supplier of market information.

There is a huge amount of market data, but is it possible to use it for valuation purposes?

Requirements for valuation purposes according German federal building Code (BauGB); subordinated: federal real estate valuation decree (WertV)

- WertV provides three valuation approaches: German income capitalization method (buildings and land are split up and valued separately), replacement cost method and sales comparison method
- In principle, the approaches are equated to each other; selection should be orientated on marketability and have to be justified
- If there is a sufficient large number of suitable purchase prices the sales comparison approach should be used
- For developed properties comparison methods are challenging
- Both income capitalization method and replacement cost method have comparative elements in their methodology

- IVS: market-derived data is to be used; alternatively offerings and listings, or other concepts of value
- GN 1 of IVS names value-affecting characteristics of property
- TEGoVA, RICS and IVS give no further advise on methodology of approaches
- Approaches of valuation are closely comparable, at least in Europe

The calculation methodology of the valuation approaches leads to different requirements concerning the data

- Large amount of available data especially for comparison approach
- Transaction should be contemporary to the date of valuation
- Sophisticated collection of value-affecting characteristics for every single property is needed
- BauGB requires transactions; listings, offerings and valuation results are not to be used; IVSC and Redbook allow it.
- Traceability of all information and the processing method by the valuer

What data banks are available?

Public one: official purchase price collection

Private ones:

- Data bank of Thomas Daily (newsletter service)
- Transaction data bank of Hypindex/ Association of German Pfandbrief Banks
- Property market data bank of Voeb and DSGV (public sector banks)
- BIIS: Real Estate Data bank (valuation for institutional investors)
- BulwienGesa: RIWIS- data bank (analyses service for various purposes)
- Investment Property databank (IPD) (analyses service for various purposes)
- Feri: property data bank (consultant)
- Sprengnetter valuation company (valuation company providing a lot of information and further education)

➔ For further information see proceeding of this presentation!

Verkaufstransaktion: Step 2

Adresse	Wankelstraße 14 70563 Stuttgart (Vaihingen)
Verkaufsdetails	
Kaufpreis	12,8 Mio. €
Transaktionsdatum	12.2008
Nettomietinnahmen	827.222 €
Nettorendite	6,4 %
Objektdetails	
Baujahr	2004
Nutzung	Büro
Gesamtfäche	5.232 m ²
Grundstückgröße	2.817
Geschosse	6
Parkplätze	59
Beteiligte	Verkäufer

Source: Thomas Daily

- More than 1.000 sources, e.g. brokers and newspapers
- 3.000 transaction per year; 1.000 sales, but only 30 % includes a purchase price
- More than 100 cities included
- Only for subscribers, various services are available

Comparable to Estates Gazette (GB); Vastgoedmarkt (NL); Zillow (USA)

Nieter	Branche	Fläche	Miete Euro/qm	Bezug	Vertrag	Laufzeit / Option (Jahre)	Nutzung
Advantec (Europe) GmbH	Elektronik, Hardware	BGF 2.000 qm		Q1 2010	Q2 2009	?	Büro
EHC Computer System Deutschland GmbH	Software, IT	NF 1.300 qm		1997	1997	?	Büro
Flex Technology Management GmbH	Beratung	MF-G 719 qm		Q2 2005	Q2 2005	?	Büro
Escent Management GmbH	Beratung	MF-G 510 qm		Q2 2005	Q2 2005	?	Büro
piktaremax AG	Medien	NF 343 qm		Q2 2005	Q1 2005	?	Büro
Dr. Senzauer & Partner GmbH	Beratung		13,1	1994	1994	5,7	Büro

(Source: Bulwien Gesa)

The data banks offer information about lessees, their branch, floor spaces, rent levels and various information on the contracts and the use for every subarea.

Transaktionen / Investment Informationen									
(Buyer)			(floor space)			(purchase price)(cap. rate)		(Seller)	
Käufer	Land	Objekt Zustand	Fläche	Kaufpreis	Rendite	Datum (date of purchase)	Verkäufer	Land	
1 1	WestInvest DE	Objekt	NF 22.300 qm			- Q3 2002	Bayerische Immobilien AG	DE	

(Source: Bulwien Gesa)

- About 7.200 properties listed (Spring 2009); commercial properties
- Information for every property: age, location, size and owner
- Data from public and professional providers are included
- Often it's declared where the data comes from
- Fees depends on amount of information

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- Global player: More than twenty different countries
 → comparable information for international investors
- Analyses of performance of portfolios; mainly office and retail uses
- Information comes from an annual valuation of every property for accounting
- aggregated data and limited access

Also:

- 300.000 rental agreements in 1.500 cities in eleven countries
- Detailed information of Contracts that are concluded by institutional investors
- Increase of products using rental prices
- Aggregated data but unlimited access for a fee

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What does a good data bank of market information have to fulfill for valuation purposes?

1. Collection of data; are there any self-interests:
Some market participants might have self-interests; maybe brokers or property owners
2. Amount of collected data
Especially for valuations using comparison approaches a large amount of data is requested.
3. Timeliness of data
Data should be contemporary between day of transaction and day of valuation.
4. Level of collected data, representing value-affecting characteristics
For valuation purposes detailed information related to a single property is needed
5. Kind of information
German market value requires transaction data
6. Traceability/ Filtering and aggregation of data
The Data should be filtered first by the user. Aggregation and Filtering destroys information
7. Access to the data
Some data banks are restricted to the provider of data or special market participants

	Purchase price collection	Thomas Daily	Hypindex	Voeb/DSGV	BIIS
Self-interests	No	See below	No	No	No
Amount of data	820.000 p.a.	1.000 p.a.	100.000 p.a.	Unknown "very large"	5.000
Timeliness	Yes	Yes	Yes	Yes	Yes
Level of collected data/ object related characteristics	High	Medium	Medium	Unknown	Medium, but only focus on income approach
Transaction/ offerings/ valuation result	Transactions	Unknown (might be given by self-interested participant)	Transactions/ Valuation results	Unknown	Valuation results
Traceability of all information	Access limited	No	No	No	Yes
Access to data	Limited	Unlimited	Limited	Limited	Limited

For further readings see proceeding!

	BulwienGesa	IPD (rental agreements)	Meri	Sprengnetter valuation company
Self-interests	So below	No	No	No
Amount of data	7.200	300.000	Unknown	Unknown
Timeliness	Yes	Yes	Yes	Unknown
Level of collected object related characteristics	Medium	High	Low	Unknown
Transaction/ offerings/ valuation result	Offerings/ transactions	Transactions	Unknown	Transactions
Traceability of all information	Sometimes	No	No	No
Access to data	Unlimited	Unlimited	Unlimited	Unlimited

For further readings see proceeding!

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- Various requirements of different valuation approaches
- Some data banks (DB) consist of high quality data
- Some DB are limited in their geographic coverage, or use different standards for different regions (purchase price collections)
- Access to data is limited by protection of personal data; limited or even no access to object-related data
- Comparison of DB is difficult; different DB have different topics
- For valuation purposes object-related data must be verifiable by valuers

Number of usable data banks is limited by the requirements of valuation approaches; various data banks are designed to achieve other objectives.

Purchase price collections and some others are designed to fulfill needs of valuers, but in practice it is not necessarily achieved!

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- Different definition of values e.g. loan value, market value or tax value, or even marketable prizes have to suit certain standards
- Even if there are large amounts of market data, the data have to suit quality standards of used valuation approaches
- Even if there these large amounts of data needed data for valuation purposes requirements might not be fulfilled (same problem as the are special objects or even no data; coming WG in FIG- Commission 9)

Are there any Questions?

