Increase of the Transparency Concerning the Real Estate Market of Lower Saxony – Enhancement of the Valuation System with the Online-Real Estate-Price-Calculator*

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Summary
The essential task of the independent German committee of experts on real estate value, consisting of valuers from various relevant sectors, is to provide transparency for the real estate market. The committees’ offices are usually located at local cadastre offices. Base and main aim of the committees’ work is the maintenance of a digital inventory of property transactions (purchase price collection) and its proper evaluation. Nearly one million contracts of sale are the data base of all the analyses to be carried out. Besides the determination of average values, the latest software – including multiple regression analysis tools – supports production of plots, diagrams, indices and other influential factors on the way to open market values. This publication first introduces some examples of the German real estate market report with its fixed »standard prices«. Second it presents efficient and powerful ways to a computer assisted valuation for both built-up and non-built-up real estate. The way to an »Online-Real-Estate-Price-Calculator« (IPK) in Lower Saxony, a special »Valuation Information System« (WIS), will be shown in the following. You can calculate the rough estimate value of standard types for single family houses, condominiums, row-houses and semi-detached houses on the Internet under: www.gag.niedersachsen.de (section: »Service«). The rate is 19,90 € per information for one property.

Zusammenfassung


1 Valuation of Real Estate in Germany

As per law it is the main task of the committee of experts on real estates values to demonstrate the transparency of regional real estate markets. Everyone should be reliably informed about the market’s behaviour and the current trends. This offer is not only for experts but also for inexperienced citizens who are understandably not often involved in real estate transaction.

The basis of all derivated market data is building a so-called purchase price collection which is made by the regional committee of valuation experts. This automated leadership was established in Lower Saxony in 1983. Until today it has been developed into a broad Valuation System with the help of an ongoing revolution and constant enhancement.

Thanks to the internet the distribution of data of the real estate market in Lower Saxony has been increased since 2006. The online procedure allows a 24h service without any additional charges which is also enhancing customer focus. Since the year 2000 standard ground values can be drawn online as well as real estate market reports since 2003. The institution of an online information service on the purchase price collection took place in 2006.

The latest accomplishment of the experts on real estates values in Lower Saxony is a nationwide online information service about market values of built-up properties. A number of comparing factors have already been published in real estate market reports of the committee. They allow a derivation of comparing prices for standard real estate, e.g. single family houses and condominiums. The determination of the purchase price usually requires an interpolation through graphs and excels spread sheets.

2 Online-Real-Estate-Price-Calculator

In 2007 the committees of experts on real estates values in Lower Saxony developed a brand new service to use and provide data of the real estate market. In addition to the standard ground values the submarkets of the developed properties and rented flats should be presented with transparency for everyone. For this purpose, a price information system was evolved for properties with single family houses and houses with two apartments as well as for condominiums – the Online-Real-Estate-Price-Calculator. This version will be enlarged soon in order to include also properties for twin houses and terraced houses.

The keynote of the Online-Real-Estate-Price-Calculator is the specific preparation and consolidation of the real estate market data of the local committees of experts on real estate values. A regression calculation is the basis for these programmes which calculates a price level for nearly every developed standard property in Lower Saxony. The price is calculated by applying only a few user data on the basis of comparing factors from the regression analysis. The calculation does not include detailed information about the property of valuation. With the help of these few essential data each citizen is now in the position to determine a price level in an independent, quick and direct way at any time.

In order to offer a homogeneous system for the price calculation throughout Lower Saxony, the committees of experts on real estate values defined common parameters for the appraisal of developed properties. In this connection, the year of construction and the living space of the building as well as the location and the size of the property turned out to be decisive criteria. These four characteristics are the basis for the online price calculation. Using the price calculator, these characteristics must follow the parameters of the sample which has been taken as a basis. Hence the valuation of exceptional properties is normally not possible. For the calculation, individual characteristics of the condition and the equipment can be considered as little as the need of rehabilitation or modernisation of properties. Besides, legal restrictions of properties are not taken into consideration for the analysis. Prices for properties with ancient assets as well as for properties with very limited or huge living spaces or plots cannot be established by the online price calculator, either. The user has to be aware of these facts. The application is limited to highly homogeneous submarkets and provides only the price level for an average property without considering specialities which could have an impact on the value.

All in all, the Online-Real-Estate-Price-Calculator offers a user-friendly and low-cost online access to individually conditioned market data of properties in terms of average price levels of developed properties. After the introduction phase the price is 19,90 € for individual information, but it is also possible to place a subscription.

First evaluations prove that not only house owners but also credit institutions and estate agents especially appreciate the application spectrum of the Online-Real-Estate-Price-Calculator. During the testing phase in the first half of 2008, the price calculator was consulted about 150 times per day on average.
It should be specifically noted that the result does not correspond to a market value which is defined according to Article 194 of the German Federal Building Code (BauGB). The determined price level is not binding and rounded up to the nearest ten thousand Euros. The online information cannot and shall not replace the traditional valuation report of the market value. It is not a result of the purchase price collection either. The Online-Real-Estate-Price-Calculator is just an additional information system, which offers the customer a well directed but only rough estimation of the price level of the concerned property.

3 Online Calculation of a Price Level

The Online-Real-Estate-Price-Calculator can be found on the Internet page of the Lower Saxony committees of experts on real estate values: www.gag.niedersachsen.de (section: »Service«). The home page offers some introducing information about the calculation programme and basic comments on the application as well as on the meaning and use of the results.

The first of four programme steps asks the user to enter the address of the property which should be valuated. This information is compared with the existing geographic data. With the help of the supplied address it is determined whether a standard ground value and a statistical regression analysis exist for this item. If this condition is fulfilled, the next step is to query the parameters of the standardised values such as year of construction, living space and – for single family houses and houses with two apartments – also the size of the property (see fig. 1). Of course, the different possibilities of the data input are limited to the range of parameters of the transferred sample, whereby the user obtains precise limit values for the calculation.

If all conditions for the calculation are fulfilled and successfully verified, the penultimate step requires the declaration of consent to the terms of use and then the confirmation of the entered data (see fig. 2). After the price level has been calculated in the background of the programme, the result is finally presented. As illustrated in figure 3, the calculation programme offers additionally to the price level information about the value as well as an explanation of the result and an extract of the corresponding standard ground value map.
Example: Calculation of the Price Level of a Real Estate

In the following example the price level of a property with a singly family house within the Country of Wolfenbüttel should be determined with the help of the Online-Real-Estate-Price-Calculator of the committees of experts on real estate values of Lower Saxony (GAG). The procedure of the online price calculation has been described in detail in the preceding chapter. An example of the calculation method of the Online-Real-Estate-Price-Calculator will follow further down:

Property of Valuation (fictitious; without any personal reference):
Single Family House in Wolfenbüttel
Street Address: Neuer Weg 22

After entering the address the Online-Real-Estate-Price-Calculator determines the standard ground value zone with the help of the corresponding geographic data and derives the value for the calculation. According to the indicated address a property with a single family house at Wolfenbüttel has a standard ground value of 125\(\text{€/m}^2\).
Valuation Data:

<table>
<thead>
<tr>
<th></th>
<th>User Data</th>
<th>Calculation Data</th>
<th>Calculation Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Construction (BAUJ)</td>
<td>1970</td>
<td>7.0</td>
<td>(BAUJ-1900)/10</td>
</tr>
<tr>
<td>Living Space (WOFL)</td>
<td>120 sqm</td>
<td>1.2</td>
<td>100 sqm</td>
</tr>
<tr>
<td>Size of Property (FLAC)</td>
<td>800 sqm</td>
<td>8.0</td>
<td>100 sqm</td>
</tr>
<tr>
<td>Standard Ground Value (LAGE)</td>
<td>125 €/sqm</td>
<td>1.25</td>
<td>100 €/sqm</td>
</tr>
<tr>
<td>Date of Purchase (DATU)</td>
<td>2008</td>
<td>18.0</td>
<td>Year of Purchase-1990</td>
</tr>
<tr>
<td>Purchase Price / Living Space</td>
<td>Target</td>
<td>Target</td>
<td>100 €/sqm</td>
</tr>
</tbody>
</table>

After the valuation data have been sent to the calculation programme, the valid regression function starts in the background of the programme. The following regression function of the committees of experts on real estate values Braunschweig is valid for the property of valuation:

\[
Zielgröße_{ij} = A + K_{10} \cdot DATU_{ij} + K_{20} \cdot DATU_{ij}^2 + K_{11} \cdot BAUJ_{ij} + K_{18} \cdot BAUJ_{ij}^2 + K_{16} \cdot LAGE_{ij} + K_{17} \cdot LAGE_{ij}^2 + K_{19} \cdot FLAC_{ij} + K_{17} \cdot FLAC_{ij}^2 + K_{19} \cdot WOFL_{ij}^2
\]

\( K_{ij} \): Regressionskoeffizient \( i \) der Einflussgröße \( j \)
\( E_{ij} \): Exponent \( i \) der Einflussgröße \( j \)
\( A \): Absolutglied

Example for determination of comparison-value with the information in the »Report of Real Estate«, specially for »One-family-houses in Wolfenbüttel« is shown in the box on the next page.

Using the corresponding coefficients of regression, exponents and calculation data of the valuated property the following multiple regression formula is valid:

\[
\left( \frac{KP}{WOFL} \right)^{0.6} = 57,248 - 9,936 \cdot 18 + 0,650 \cdot 18^2 - 0,014 \cdot 18^3 + 3,782 \cdot 7 + 0,545 \cdot 7^2 - 0,024 \cdot 7^3 + 1,349 \cdot 1,25 + 0,073 \cdot 1,25^2 + 0,220 \cdot 8 + -0,010 \cdot 8^2 + 3,811 \cdot 1,2^{-0.4}
\]

The regression result shows the relation of the purchase price to the living space:

\[
\left( \frac{KP}{WOFL} \right) = 1.356,97 \frac{e}{m^2}
\]

The requested price level is fixed by multiplying this result with the living space:

\[
\text{Price-level} = 1.356,97 \frac{e}{m^2} \cdot 120 \ m^2
\]

\[
= 162.836 \ e
\]

\[
\approx 160.000 \ e
\]

The calculated value must be rounded up to the nearest ten thousand Euros, as the result refers to a fictitious property with a developed single family house with an average equipment; further conditions which could have an impact on the property value have not been taken into consideration.

4 Results of Transparency of Regional Real Estate Markets

With the help of the Online-Real-Estate-Price-Calculator customers are able to get comfortable information about price levels of single family homes, houses with two apartments as well as condominiums. This can be done with the help of specific, rehashed comparing factors that are published in real estate market reports. The application is fairly easy to use even for amateurs. All that needs to be entered is the address and characteristics that most likely influence the real estate price of the concerned property. Those characteristics include the year of construction as well as the area or living space. The influence of the location of the concerned property and the land value is determined by the Online-Real-Estate-Price-Calculator by georeferenced standard ground value map of the committee. In order to do so the standard ground values are divided with the help of a digital land register map, so the correct land value can be allocated to each address.

The result of the online calculation is the price level for a certain real estate with property data of compatible real estate with average features and conditions. This information cannot substitute an expert opinion of valuation but it gives every citizen the opportunity to find out information about the price level of a developed site in Lower Saxony for just 19,90€. Within a short time it will be possible to enlarge the calculation of real estate also for mid terraced houses and twin houses.

Thereby, Online-Real-Estate-Price-Calculator will create even more transparency of the real estate market of Lower Saxony. This project has already been honoured and placed third at the »GIS Best Practice Award 2008« by the German Association of Surveying (Deutscher Verein für Vermessungswesen; DVV).
Example for determination of comparison-value with the information in the »Report of Real Estate«, specially for »One-family-houses in Wolfenbüttel« with the following attributes:
- Year of construction: 1970
- Standard ground value: 125,00 €/m²
- Living size: 160m²

Comparison-factors for one-family-houses in Wolfenbüttel, dependent on »year of construction« and »Location« in form of »Standard Ground«:

**Calculation of Comparison-Value:**

\[ 1.309,00 \text{ €/m}^2 \times 0.95 = 1.243,55 \text{ €/m}^2 \times 160 \text{ m}^2 \text{ Living space} \]
\[ = 198.968,00 \text{ €} \]
\[ = \text{rd. 200.000,00 €} \]