

Transparency of the German Property Market

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SUMMARY

The German legislative body has reacted on the world-wide financial crisis already in 2009 for pushing forward the necessary transparency of the German property market and preserving thereby erroneous trends such as happened in terms of the Subprime-crisis. A national campaign established the legal basis for restoring and intensifying the sector of public valuation. The already existing norms were made more exact and also obligatory for the committees of valuation experts. For example, for the first time, it was now written down by law to determine standard land values for the complete floor space of Germany. This results in a transparency of the market as well as in equal taxation of land. Also, the committees of valuation are now legally bound to determine all data that is relevant for the valuation process, such as property yields, factors of asset value, index series, conversion factors and units of comparison. Additionally, all of the German federal states, e.g. Bavaria, Baden-Württemberg,... were for the first time obligated to establish their own State Boards of valuation experts, for ensuring equal and comparable standards for data and market transparency on a supra-regional, nationwide level.

SUMMARY (German)

Der deutsche Gesetzgeber hat auf die weltweite Finanzkrise mit einer Änderung des Baugesetzbuches bereits 2009 reagiert, um die erforderliche Transparenz des deutschen Immobilienmarktes weiter zu steigern und dadurch Fehlentwicklungen wie im Rahmen der Subprime-Krise vorzubeugen. Mit einer nationalen Offensive wurden die gesetzlichen Grundlagen geschaffen, um den Bereich der öffentlichen Wertermittlung zu stärken und zu intensivieren. Die bereits vor 2009 vorhandenen Regelungen wurden in mehreren Bereichen vertieft und exakter, damit für die Gutachterausschüsse auch verpflichtend formuliert. So wurde erstmals die Verpflichtung ins Gesetz genommen, für die gesamte Fläche Deutschlands lückenlos Bodenrichtwerte, also mittlere Bodenwerte zu ermitteln. Dies dient sowohl der Markttransparenz insgesamt, insbesondere aber der Besteuerung des Bodens. Zudem wurde die Verpflichtung für die Gutachterausschüsse ins Gesetz aufgenommen, wertermittlungsrelevante Daten (Liegenschaftszinssätze, Sachwertfaktoren, Indexreihen, Umrechnungskoeffizienten, Vergleichsfaktoren) zu ermitteln. Um nicht nur örtlich, sondern auch überregional und bundesweit vergleichbare Datengrundlagen der Markttransparenz zu gewährleisten wurde auch erstmals für die Bundesländer verpflichtend die Einführung von Oberen Gutachterausschüssen beschlossen.

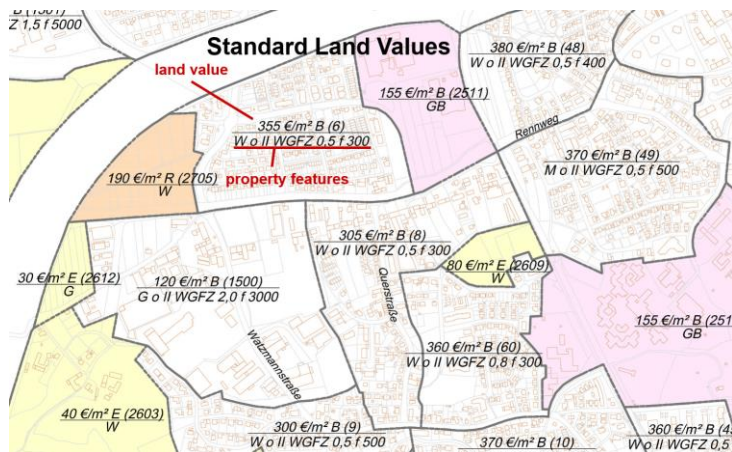
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The task of the committees of valuation experts consists of the following three domains:

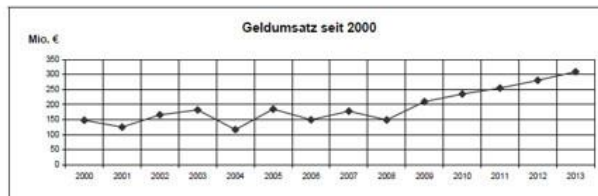
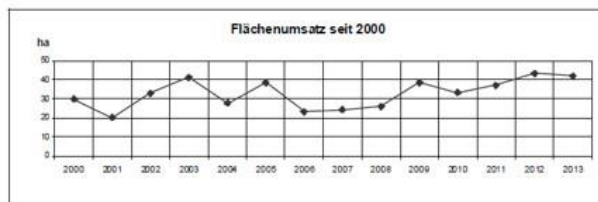
1. Transparency of the regional property market

Besides the valuation of property, the committees of valuation experts are in charge of different tasks, such as the periodic determination of standard land values, as well as the determination and publication of further relevant data, for example: property yields and factors of asset value. For this purpose, the committees receive all purchase contracts from the notaries of their fields of activity. On this basis, they can evaluate the purchase price collections which are the fundament for the mostly annual valuation and publication of standard land values.

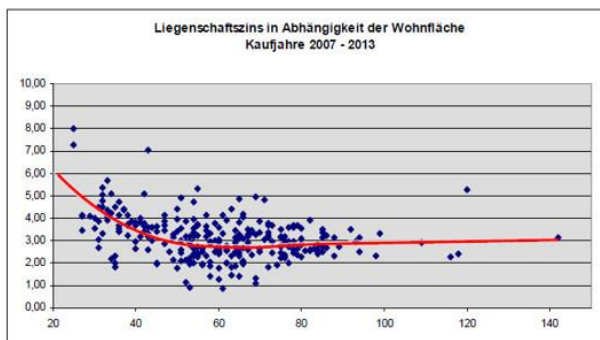


This procedure is bound on further legal guidelines, based on digital techniques like GIS systems with one equal data format. This data is made public via Internet. At an equal pace and also on the basis of the purchase price collection data, other valuation dates and numbers are evaluated and made public via analogue and digital canals.

Indices



Property yields

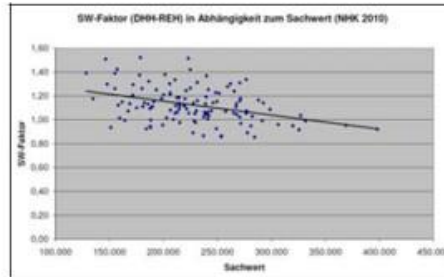


Wohnfläche m²	20	30	40	50	60	70	> 80
Ø LZ	6,1 %	4,4 %	3,5 %	3,0 %	2,9 %	2,9 %	3,0 %

Asset value factors based on Standard building costs

NHK 2000

NHK 2010



Anzahl der Stichproben: n = 122

Bestimmtheitsmaß: $R^2 = 0,22$

Anzahl der Stichproben: n = 122

Bestimmtheitsmaß: $R^2 = 0,14$

Comparison Factors

Lage	Anzahl	Ø Wfl. m ²	Preisspanne €/m ²	Ø KP €/m ²	Std.abw. €/m ²	Ø KP alt 2012 €/m ²
Zentrum	66	95	3.065 – 5.155	4.000	± 413	3.450
Gute	122	78	2.278 – 4.064	3.300	± 352	2.750 / 2.450
Mittlere	145	84	2.274 – 3.854	2.900	± 320	2.200

However, sometimes the compliance with the rules cannot be guaranteed due to a lack of trained professionals and insufficient data. The valuation of the local committees is mainly needed for creating transparency on the regional market because the numbers are essential for investments of companies, valuation of property, decisions about extending loans and moreover a basis for general decisions in local politics.

2. Transparency of the supra-regional property market (federal states)

Focusing this issue, it has been determined since 2009 by law (within the German federal building code) to set a central office or a State Board committee of valuation experts for each federal state in terms of supra-local analysis.

96 Local committees
 (71 Committees of the counties
 25 Committees of the municipalities
 not associated with a county)
 1 State Board Committee



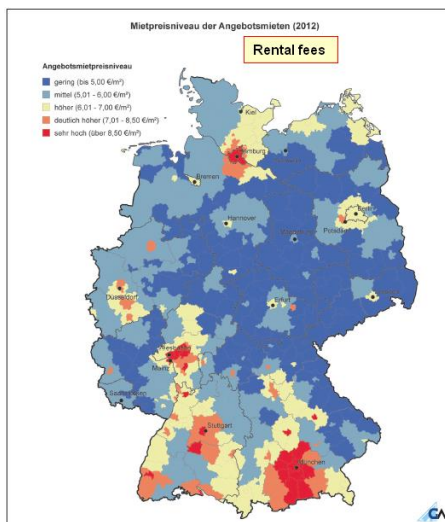
All committees of evaluation experts of the single federal states are obligated to forward the purchase price collection data as well as to provide standard land value data for the central official committee of valuation experts. This data enables the State Boards of experts to bring supra-regional dates and numbers together and, through this, create useful statistics and evaluations. This data then will be published in every property market report of the federal states, registering the entire volume of transaction (numbers, areas, finance) of all regions as well as the federal states total floor space. Like this, one has the possibility to determine averages of land value, for e.g. housing and commercial construction. Moreover, price developments of individual built-up property can be analyzed. The main function of this evaluation of data is to fill the gaps in regional data material and so enable politics to react quickly on the regional and supra-regional developments of the property market, also in terms of demographic effects. This data is also important for valuation experts, particularly in cases of insufficient data material.

3. Transparency of the property at federal level

In 2008, the already existing central committees of valuation experts, as well as other representatives of the federal states, allied, establishing the AKOGA (research group of the German state boards of valuation experts).



The AKOGA collects all relevant data of the approximately 1000 regional committees and publishes, supported by the German Federal Government Department, the biennial “Report of Germany’s property market”. The numbers are forwarded by the single federal states (or also partly by the State Boards of valuation experts) and provided on a web-database. The AKOGA collects and analyzes statistically this entire data-volume.



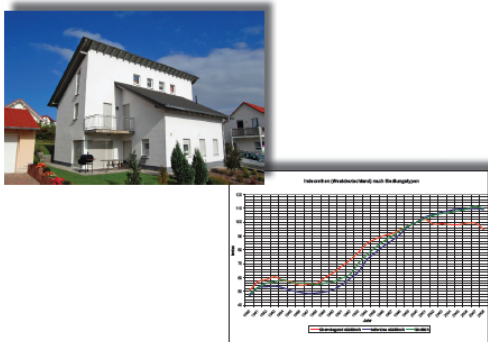
The purpose hereby is to identify and to display the German property market trends. The evaluations of this project are indispensable, especially in terms of reacting on time to structural developments. Therefore, they are also essential for German politics, as the results

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have an impact on decisions concerning the housing market. Moreover, this data is of great importance for the housing market itself concerning investments and creditworthiness. The AKOGA also has determined index series and adjustment factors for different guidelines, that are based on nationwide investigations, and - because of insufficient data material - couldn't be derivated by the single federal states. Now, these numbers are of great use and help in cases of lacking or insufficient data.

Guideline for nationwide factors

Ableitung sonstiger für die Immobilienwertermittlung erforderlicher Daten



CONCLUSION

The transparency of the market has been improving extensively ever since 2009 because of the quick reaction of the federal legislator, the German legislative organ. All dates and numbers published by the local and central committees of valuation experts as well as by the AKOGA, provide excellent sources of data for all institutions and actors in the field of the German property market.

REFERENCES

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State Board of valuation experts of Bavaria
AKOGA „Immobilienmarktbericht Deutschland“
AKOGA „Ableitung wertermittlungsrelevanter Daten“

BIOGRAPHICAL NOTES

1978-1982 Study of Surveying
1982-1992 Farmland consolidation authority Munich and Landau
1992-2007 Surveyor's office Landshut/committee of valuation experts
2007-2014 Committee of valuation experts/ Chairman of the Command center of rescue & fire brigade
2001-2014 Chairman of the Bavarian committees of valuation experts
2008-2014 Member of the German State Valuation Committee (AKOGA)
2011-2014 Leader of AK6, DVW, "Valuation of real estate"
2015 Chair of the State Board of Valuation Experts Bavaria

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