

Fit For Purpose Real Estate Valuation

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SUMMARY

The term fit for purpose has been prominent in the field of land registration for years. However, in real estate (mass) valuation the term has not yet been coined and introduced. By nature, real estate valuation is highly depending on an adequate land registration and transparent market data. Many systems of real estate valuation for taxation or other purposes, are based on very high quality and mature land registrations and available market data on an open real estate market. This premise has not been reached in many countries around the world that are striving to set up a market based real estate tax.

Given this situation fit for purpose real estate valuation refers to the concept of implementing a real estate valuation practice that can be reached with the property registration and market data that are available. A fit for purpose real estate valuation practice can then, at a later date, be improved by incremental steps to reach a more mature system. This improvement affects the quality of data in the registration but perhaps also the transparency of the market.

Fit for purpose real estate valuation can give way for systems to be implemented with a more crude way of valuation as long as uniformity and consistency in the valuations is reached. As an example, revaluation cycles can be stretched out over a longer period to provide time to improve the registration over time. But also a start can be made with a limited set of location and object characteristics and therefore a limited accuracy of the estimated value. Then, by incremental steps, the system of real estate valuation can be improved to reach maturity over time, by speeding up the valuation cycle and higher accuracy demands with an increased dataset.

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