Transparency of Property Markets
- the 1. National level Market Report

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Agenda

Contents

• The importance of property market transparency
  – Private or public market information
  – The „quality“ of market information

• 1. National Level Market Report 2009
  – Selected market results in Germany
  – Improvements in Market Report 2011
Property Market Transparency

Aspects of Market Transparency (MT)

- Fundamental element of well-functioning markets
- Relevant location factor in globalized economies
- MT needs reliable market information / market data
- Property taxation based on market values serves MT
- Market information is delivered by private and public actors

Property Market Transparency

Market information is generated by market data

Different market data necessary:
- Turnover data (market activity, supply and demand)
- Price level data (absolute terms)
- Price development data (relative terms like indices)
- General data (socio-economic and legal issues, planning policy)

Generating market information:
- Collection of market data
- Selection of collected market data
- Analysis of selected market data
- Publication of analyzed market data
Is the market information reliable?

Quality Criteria for reliable market data

- Sample size, share of market volume
- Origin of data (e.g., market results or data from offers, original or secondary market data)
- Spatial reference (spatial distribution of sample)
- Time reference (temporal distribution of sample)
- Definition of market indicator (e.g., office rent)
- Statistical model of analysis
- Handling of outliers

Who delivers market information?

Commercial Market Reports
Property Market Transparency

Who delivers market information?

- Public collection of market transactions
  - In Germany: *Boards of Valuation Experts* (Gutachterausschüsse)
  - Notaries are obliged to give each contract to the Board
  - Boards and price collection mainly organized at the county level
  - Advantage: Most complete and unique information base
  - Problem: Organizational structure and manpower are very heterogeneous

Boards of Valuation Experts

Organisational structure of the Boards of Valuation Experts in Germany

Number of Boards per State

Valuation and market information is based on the Board’s purchase price collection.

Source: Krumbholz: FuB 1/2009, p. 35
Market Reports 2009
by the local Boards of Valuation Experts

Blue:
Local Market Report published in 2009

Additional:
Market Reports of some State’s Boards of Valuation Experts


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- The importance of property market transparency
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  - Selected market results in Germany
  (Some copies of the report in English are available!)
  - Improvements in Market Report 2011
1. National level market report

Content of the 1. National level market report

- General socio-economic situation
  (population, income, inflation rate, planning permissions, etc.)
- Land market in the 16 States and the large cities
  (overall turnover, main transaction areas, extreme values)
  - Developed building land
  - Agricultural and forest land
- Development of built-up properties
  - Individually used residential properties
  - Investment properties and commercial properties
  - Portfolio sales and large-scale investments
- Information required for valuation
  - Property yields
  - Gross yield factors
  - Standardized price factors

Data situation in the German States 2007/8

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<th>Federal state</th>
<th>Administrative districts/ independent cities</th>
<th>Coverage area (%)</th>
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*Source: AGA (2009), p. 24
1. National level market report

**Market activity:**

**Volume of transactions (Mio. € 1999–2008) in the “Big Seven”**

![Graph showing volume of transactions](image)

Abb. 4.38: Umsatzentwicklung 1999 – 2008 in der Größenklasse I

Source: AGA (2009)

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**Average house prices 2008**

(semi-)detached houses

(in €/sq.m. living space)

Key to symbols:
- yellow: < 1.000,- €/sq.m.
- Red: > 3.000,- €/sq.m.
- Interval: each 500 €/sq.m.

Hatchures: estimated data by regression function

Source: AGA (2009), p. 127
Average land values 2008 residential use, medium locations (in €/sq.m. developed land)

Key to symbols:
- Light yellow: < 50,- €/sq.m.
- Dark brown: > 500,- €/sq.m.
- Interval: each 50 €/sq.m.
- Hatchures: estimated data by regression function

Source: AGA (2009), p. 121

1. National level market report

Highest land prices for multi-storey residential buildings (€/sq.m.)

Source: AGA (2009)
1. National level market report

Index series of land prices in Germany (West and East) according to settlement patterns

Results

• 1. National Market Report is a satisfying attempt
  – Proved organizational structure
  – Comparability of regional markets advanced
  – Experiences about different standards and analysing models

  – Data collection by the local Boards on a web-based questionnaire
  – Documents of standardization:
    • data collection by a manual
    • data analysis by a guidance incl. models
  – Heterogeneous counties: analysis at municipal level (≈ 1,000)

Source: AGA (2009), p. 203
2. Report 2011 - Improvements

Spatial level of analysis
- Level of analysis: Counties / Big Cities (county-free)
- Additional: Analysis at municipal level in heterogeneous counties

Example:
Region of Frankfurt/M.

Average figures more reliable.

Results
- Further improvements
  - House/ flat prices: differentiation into 6 age-groups
  - Commercial properties: location is subdivided into 4 types (top, good, medium, simple)

- Coordination with other (public) institutions
  - Statistical offices (Stat. Bundesamt, Wiesbaden)
  - Public research institutions (e.g. BBSR, Bonn)
  - Association of German Cities and Towns (Dt. Städtetag)
  - Coordination with private actors is in discussion

- Situation is promising to make good progress in market transparency in Germ!
THANKS FOR YOUR ATTENTION!

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