REAL ESTATE TRANSACTION IN THE DIGITAL AGE

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Background (1)
“today digitalization is everywhere”

Digital Information
Created, Captured, Replicated Worldwide

1,800 EXABYTES

10x Growth in 5 Years!

Source: IDC White Paper, “The Diverse and Exploding Digital Universe”

FIG Working Week 2011
Bridging the Gap between Cultures
Marrakech, Morocco, 18-22 May 2011
Background (2)

- Volume of global cross-border real estate investment reached more than € 160 Billion in 2010
- Housing bubble and credit crisis → real estate market is not as solid as many people thought

Motivation & Outline

Motivation:
- Digitalization already plays a key role in real estate transactions
- Still there is tremendous potential

Outline:
I. Basic key principles for a functional and effective real estate transaction system
II. Germany as an example
III. Conclusion
Basic key principles

- accuracy
- accountability
- efficiency
- sustainability
- security
- transparency

⇒ must be guaranteed

TRANSPARENCY
SECURITY
EFFICIENCY

You want to buy a house?!?

Source: www.ebay.us

Fisher Price Loving Family Dollhouse Camping Cabin CUTE
25% OFF TODAY (Dollhouse been sold elsewhere on ...)


Fisher Price: Loving Family Dollhouse

Basic key principles

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Basic key principles – Transparency

Sustainable valuation
Gain more trust and increase the chances of completing a deal

Basic key principles - Efficiency

“increase in efficiency → saving time = saving money”

through:

- harmonization legislation and juridical practice
- standardization of system components and data
- installation of automated working processes
- WEB services for clients

- must be guaranteed and continually be improved
- without high efficiency a real estate transaction system will fail in practice → user will not accept it
Basic key principles - Security

“misuse of power can be seen very often when it comes to land”

What effective safeguards are required?

- accessibility restrictions
- procedural checks
- technological security measures
- training of counter fraud staff
- national and international cooperation’s et al.

Germany as an example
Real estate transaction process

<table>
<thead>
<tr>
<th>ELEMENTS</th>
<th>PARTICIPANTS</th>
<th>MEDIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>market research</td>
<td>buyer - seller</td>
<td>digital</td>
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<tr>
<td>valuation of the object</td>
<td>real estate appraiser</td>
<td>local (analog)</td>
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<td>clarification the finance</td>
<td>buyer - bank</td>
<td>in person</td>
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<tr>
<td>price negotiation</td>
<td>buyer - seller</td>
<td>digital and on site</td>
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<tr>
<td>notary</td>
<td>seller - notary - buyer</td>
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<td>payment and execution</td>
<td>buyer - notary - seller</td>
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<tr>
<td>transfer of ownership</td>
<td>land register - buyer</td>
<td>digital</td>
</tr>
</tbody>
</table>

Germany as an example

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Linking possibilities

seller

land register

estate agent

notary

appraiser

cadastre

bank

publicly appointed surveyor

committee of valuation experts

buyer

Germany as an example

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Concept of an ideal linkage

- seller
- estate agent
- notary
- appraiser
- cadastre
- bank
- publicly appointed surveyor
- committee of valuation experts
- buyer

Challenges

- many participants with different intentions
- distribution of competences → political will
- “crimes” — types change through digitalization
- others:
  - privacy matters
  - actuality of data
  - fast technical developments and complexity of the requirements
Conclusion

“there is a great potential in digitalization...”

• real estate cross border transactions will become more and more important in the future
• transparency, efficiency and security are the basic key principles
• digital services speed up the real estate transaction process → more cost-efficient

However:

a political will is a fundamental precondition → that includes the existence of legal regulations