

The Future of the Real Estate market, valuation profession and practice

Alexander Weber- Head of certification DIAZert / DIA Consulting AG

**DIA
Zert**

Die Zertifizierungsstelle
der DIA Consulting AG

Qualität in der Immobilienwirtschaft



**Immobilienverband Deutschland, IVD – member of TEGoVA
6.500 members**

**DIA
Zert**

Die Zertifizierungsstelle
der DIA Consulting AG

600 certifications

DIA
Deutsche
Immobilien-Akademie
an der
Universität Freiburg
GmbH

**4.500 graduates
in real estate valuation**



Center for Real Estate Studies
Steinbeis-Hochschule Berlin (SHB)
CRES Deutsche Immobilien-Akademie (DIA)

1. Digitalization (=Digitization) and Big Data in Germany
2. How does the digital transformation affect the valuation profession now and in future?



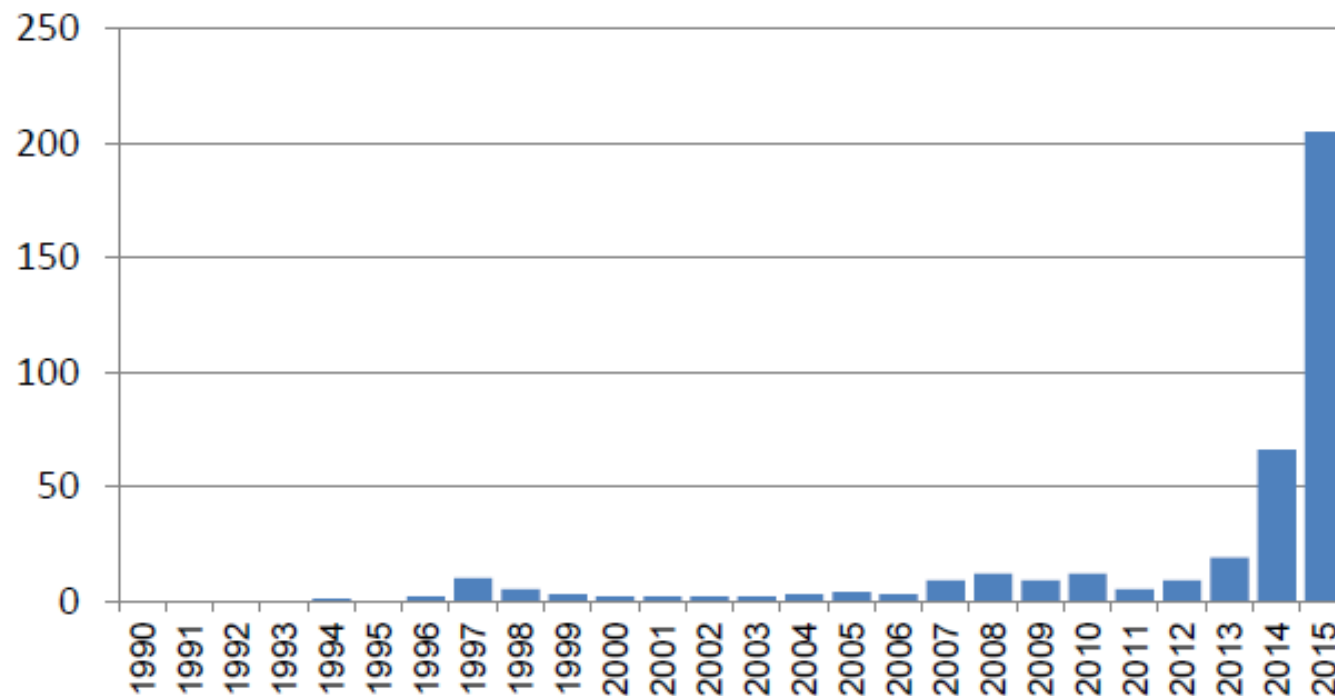
Everything digital?

The age of big data



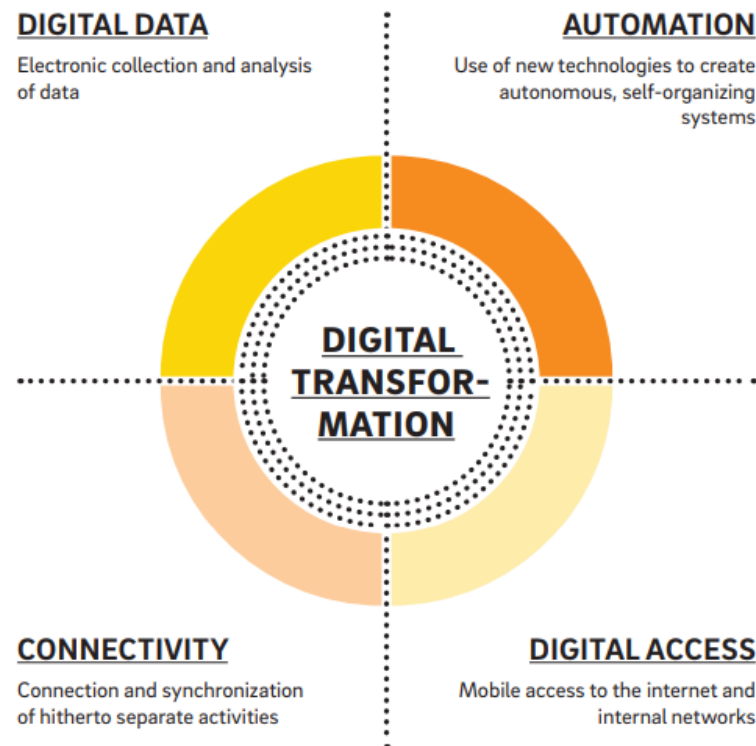
The fear of „disruption“



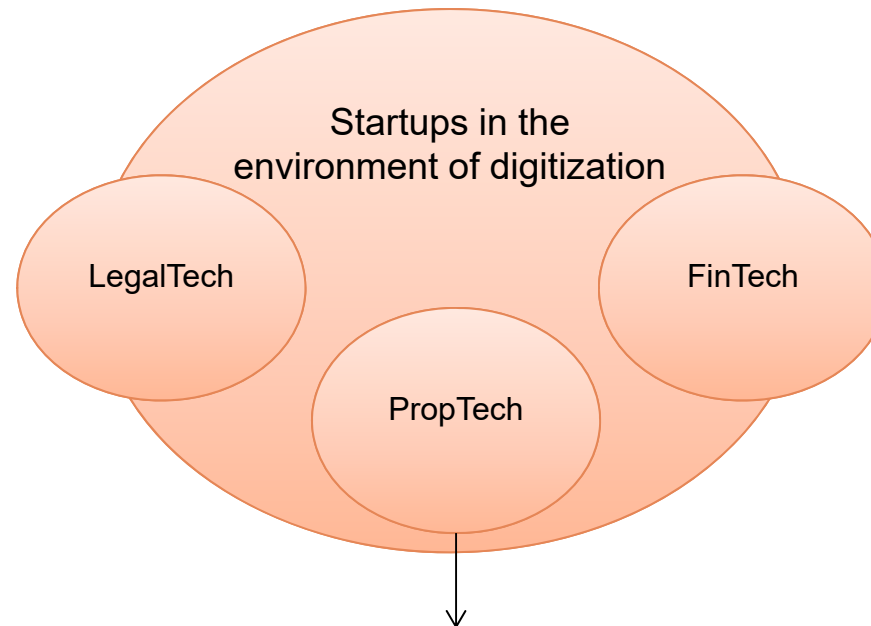


Annual number of reference of the term **disruption** in print media.
Analysis based on 150 German print media

From digitization to digital transformation



source: Roland Berger (2016): Digitization in the construction industry,
Roland Berger GmbH, Competence Center Civil Economics, Energy & Infrastructure, München.



- PropTech is the industry in which real estate services are enriched and / or modified by technical solutions.
- PropTechs are often startups and target both businesses (B2B) and end users (B2C).
- They target either efficiency-enhancing measures for existing processes or the introduction of new technologies and business models that could replace older ones.

Digital Real Estate Deutschland Dezember 2017

PropTech

196

Immobilienportale und Marktplätze

41

Immobilien Vermietung Immobilien Verkauf

35

Temporäre Vermietung

21

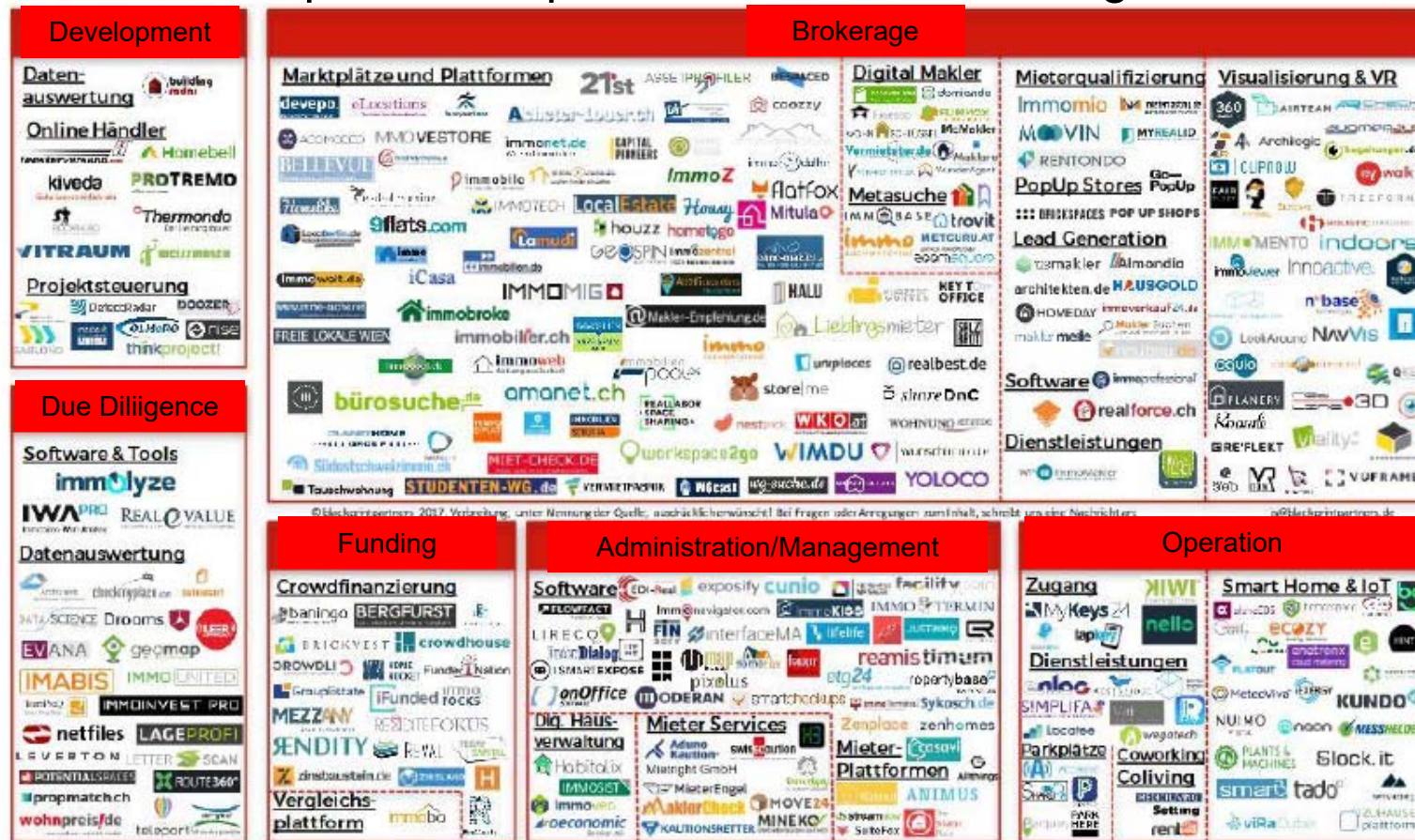
3D AR / VR

30



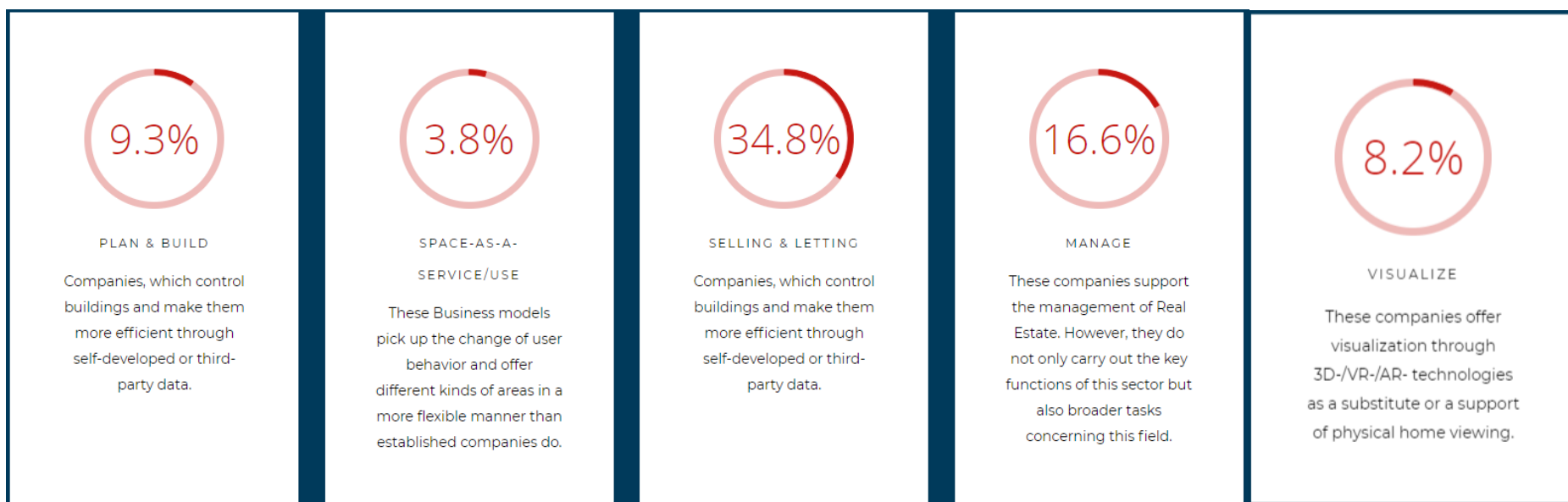
Erstellt von
GWA
Gewerbe-Quadrat.de

PropTech companies of the „DACH“-Region



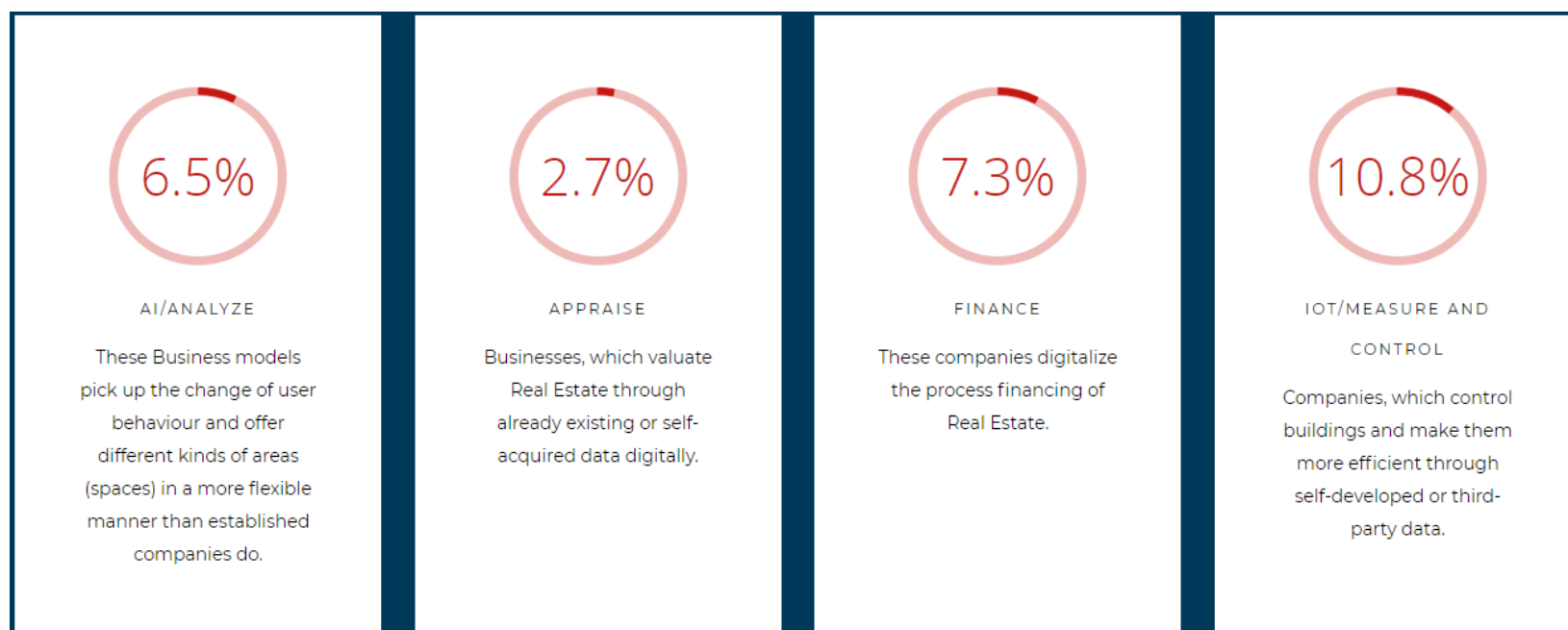
source:blackprintbooster, May 2017

Categories of PropTech companies



source:blackprintbooster, May 2017

Categories of PropTech companies



source:blackprintbooster, May 2017

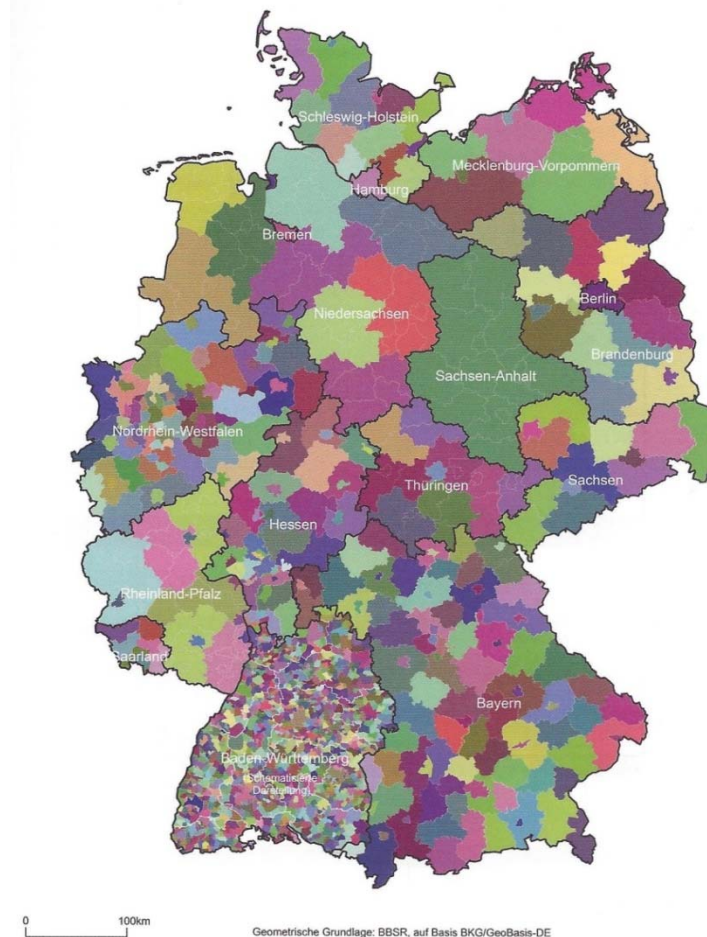
Education in Germany: digitization in real estate

- Various universities and educational institutions are reacting “now”
- For example, the Baden-Württemberg Cooperative State University (DHBW) is introducing a program "Digitalization / Innovation Real Estate" for the winter semester 2018/19.
- The German Real Estate Academy (DIA) offered a first course in digitization in December 2017.
- IREBS International Real Estate Business School and part of the Faculty of Economics of the University of Regensburg offered in February 2018 a first course in Digital Real Estate Management.

The public solution for real estate market transparency and valuation parameters in Germany

- Gutachterausschuss = public committee of valuation experts
- BauGB § 192 – 199 = federal building act (legal basis)
- Receive copy of every purchase contract in their region
- Committee is regulated by state law, not national law (16 states)
- Task is
 - Compilation of purchasing price data
 - Determination of standard ground/land value (by zone)
 - Publication of market reviews
 - Determination of parameters for valuation (cap rates, market factors)
 - Valuation service, if requested

The German „Gutachterausschuss“ for market transparency



Number of committees and regional responsibility

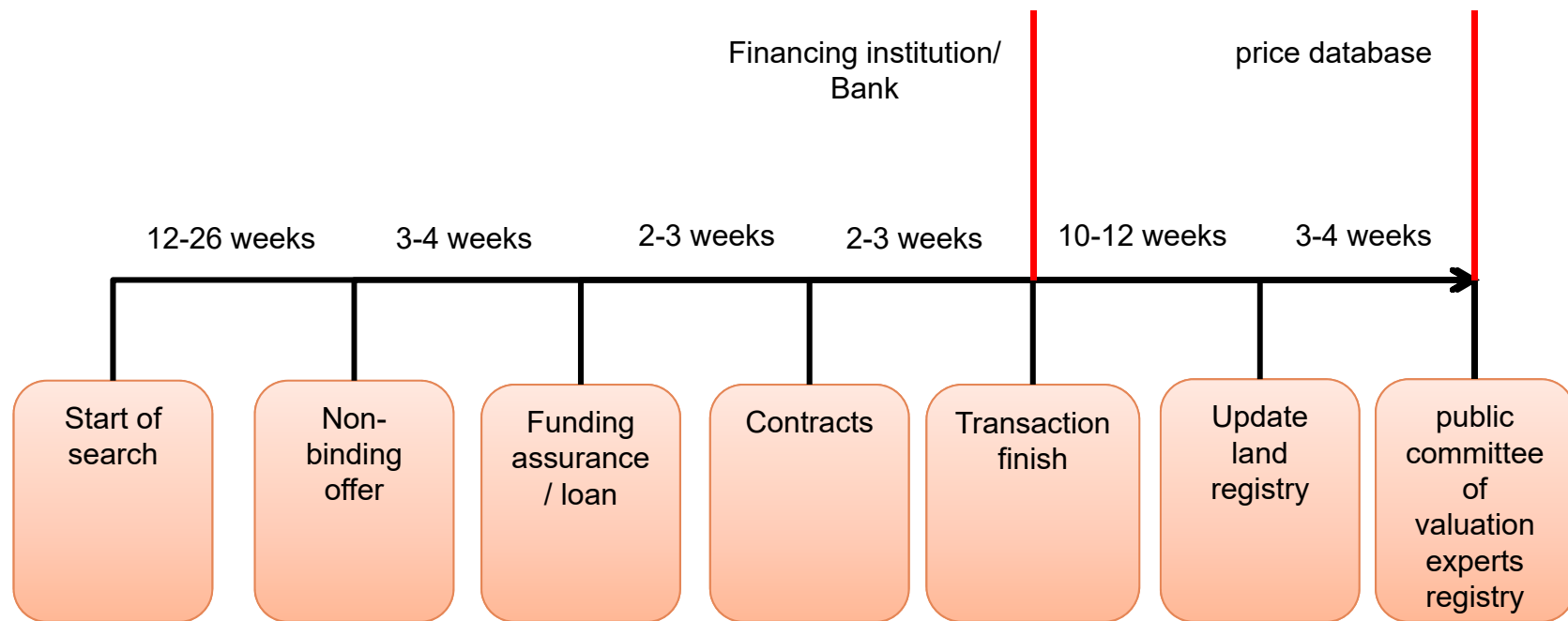
- No federal database
- purchase price database: no access to the public

→ No access for PropTech – No „market data“,
no automated solution for true market valuation

Source:

„Immobilienmarktbericht 2015 der Gutachterausschüsse
in der Bundesrepublik Deutschland, p. 7)

Transaction process / availability of market data in Germany

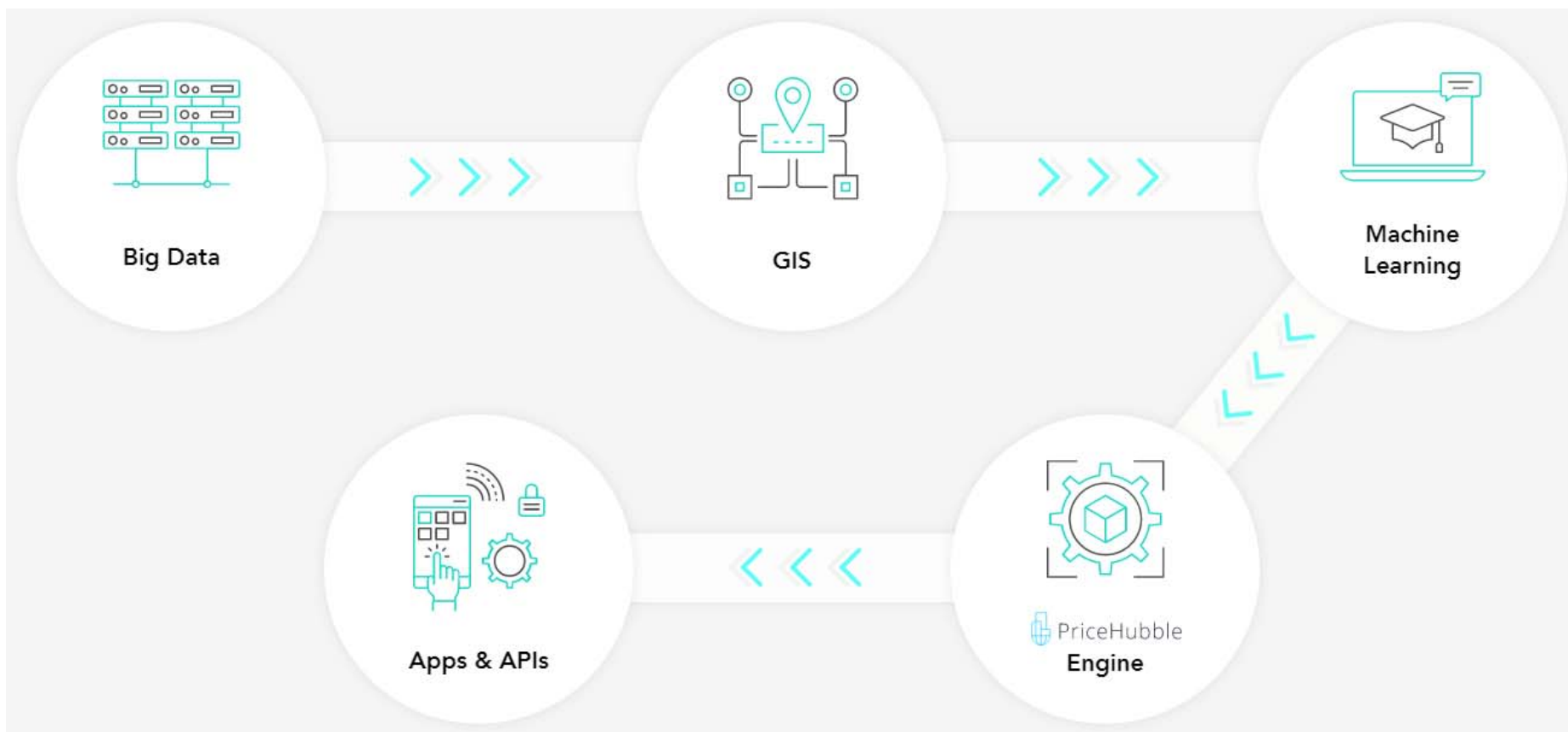


29.03.2018 - ImmobilienZeitung

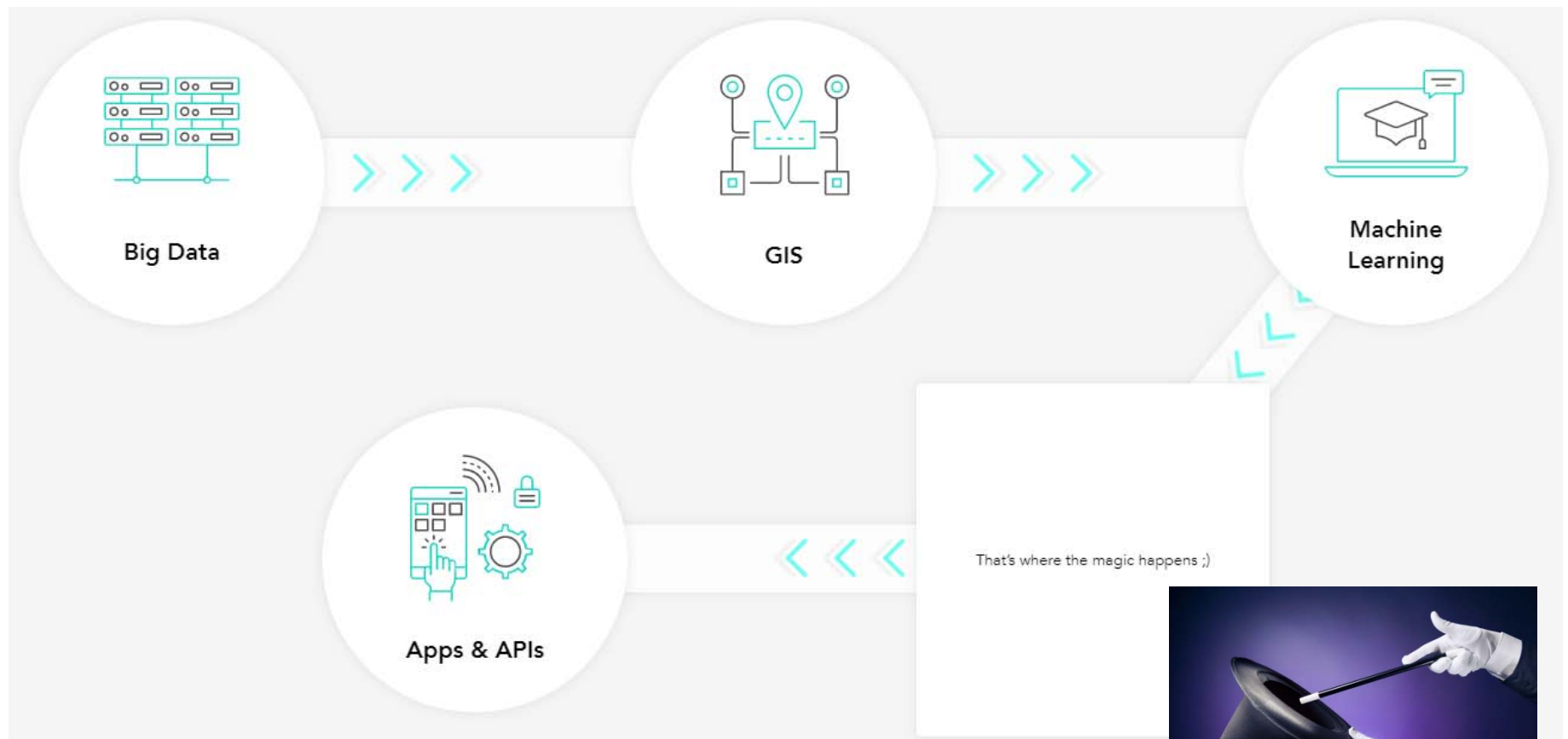
Digital Valuer PriceHubble takes over YouVal

The Proptech *PriceHubble* from Wollerau in Switzerland has taken over the German competitor YouVal from Hamburg.

Both companies specialize in **automated valuation models (AVM)** using machine learning techniques. YouVal operates the website *www.immolyze.de*. In the future, the company will be known as PriceHubble Germany. With the YouVal takeover, PriceHubble is active in the third European market after Switzerland and France. The company focuses real estate agents, banks, real estate portals as well as asset and property managers and institutional investors.



Source: <https://pricehubble.com> / 11.04.2018



Source: <https://pricehubble.com> / 11.04.2018

2. How does the digital transformation affect the valuation profession now and in future?

Digitization

Disruption oder Evolution in the valuation profession?

- Digitization is credited with a potential for creative destruction based on Schumpeter's theorem.
- According to this, digital models will break established business models and replace them with new ones.
- Therefore, it must be analyzed whether digitization actually causes a disruption in real estate valuation or rather an evolution.

Survey 2017 (Bühren, Thomas)

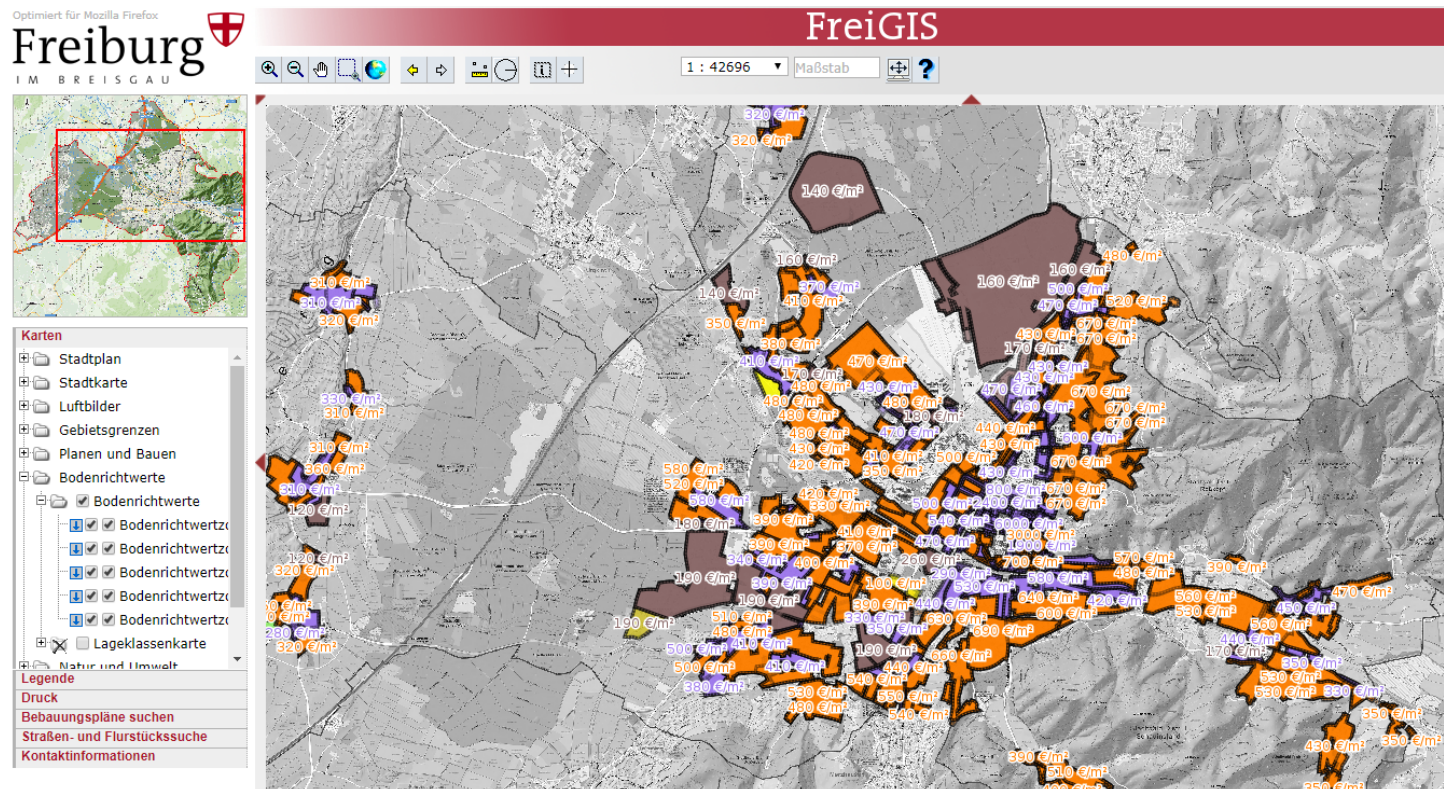
- Deutsche Immobilien Akademie an der Universität Freiburg (DIA) – German Real Estate Academy at the University of Freiburg
- Center for Real Estate Studies (CRES) – Steinbeis University Berlin

Real estate valuations follow a recurring process



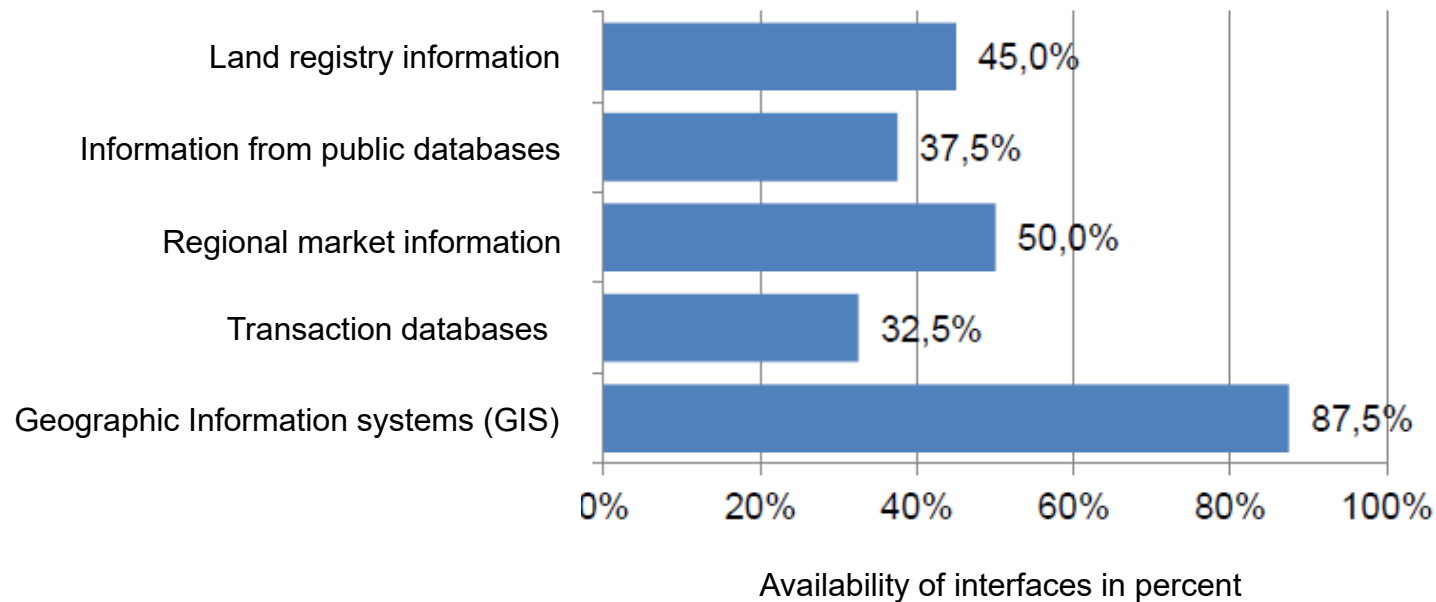
According to the survey, one of the main problems in the valuation process is the efficient provision of data as the basis of the expert's assessment.

Example: [online FreiGIS](#), Geographic Information System (GIS)
City of Freiburg (Germany)

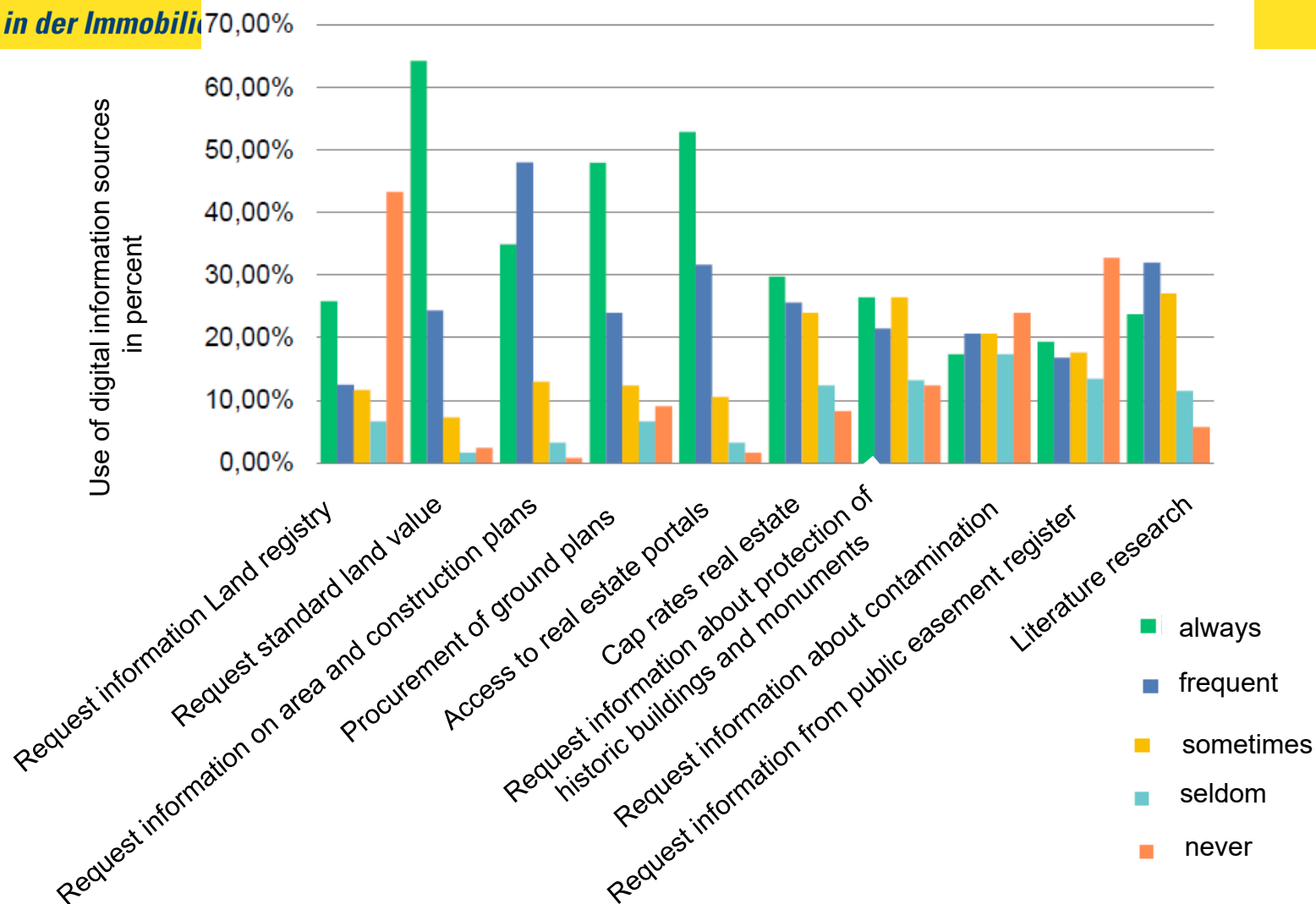


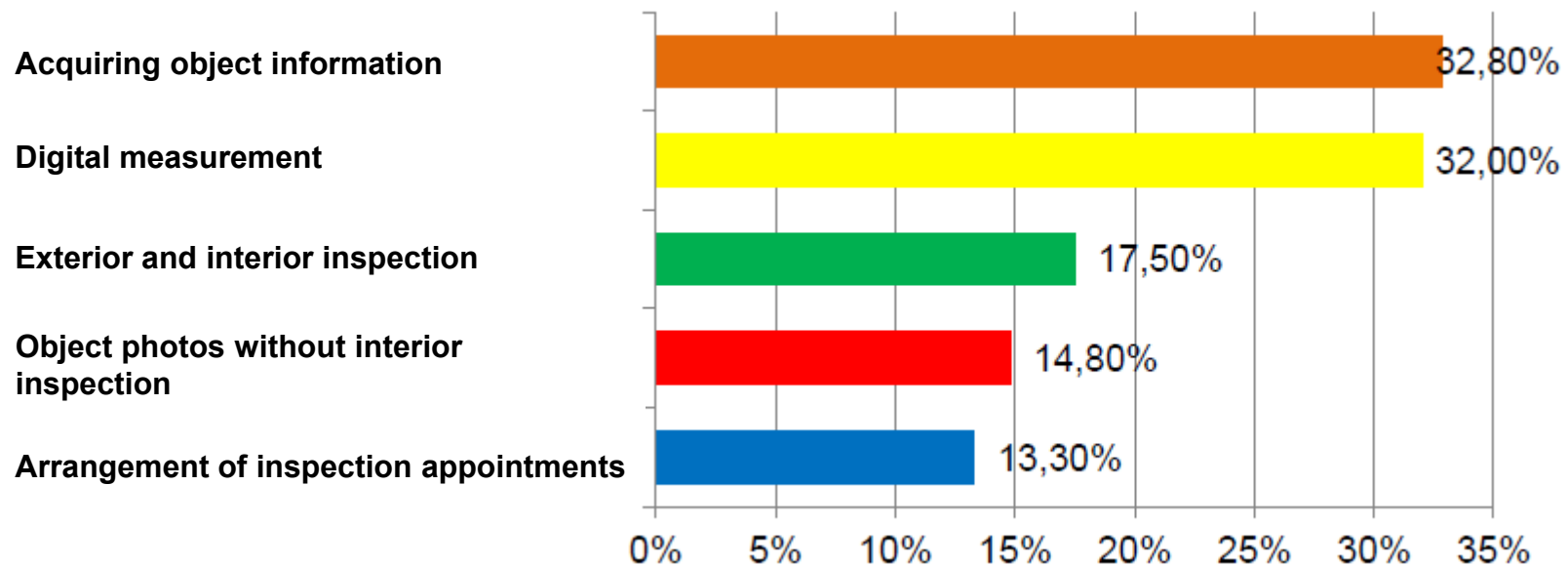
Standard ground/land value

Standardized interfaces in real estate valuation software



Qualität in der Immobilien





Cost and time savings in percent for commissioning external services.

Summary and conclusion of the survey:

- As long as the legal framework conditions require an expert assessment, the competence of a qualified expert cannot be replaced by automation.
- However, structures can already be identified today in which an inspection is no longer necessarily expected.
- For example, for portfolio valuation, the determination of mortgage lending value for small loans or in short appraisals for due diligence procedures.
- For single property valuation, the existing or possible solutions (AVM) are good enough for a value indication without further reference to the technical and legal condition of the property.
- For market value determination, there has to be an expert valuer involved (European Valuation Standard 6, TEGoVA)

Summary and conclusion of the survey:

- the digital transformation is unstoppable
- many companies are still busy developing a strategy to change their own processes
- startup companies are moving forward
- PropTech companies are clearly focused upon the service sectors of real estate brokerage and management.
- Developments in valuation are currently limited to digital offers in automated valuation (simple models of digital, Internet-based value indication) for consumers and for real estate agents.
- For the much more complex task of valuation experts, established software providers are responding with software solutions that are being supplemented by digital services, in particular data collection
- Data protection issues will affect the process of digitization

Summary and conclusion of the survey:

The **personal advice and support of customers**
cannot be provided by digitized products

Bibliography:

- Bühren, Thomas (2017): Possibilities of digitization in property valuation – a critical analysis, Deutsche Immobilien Akademie, Freiburg
- Kierig, Jochem (2016): Marktkonforme Immobilienbewertung: Neue Datenbanken können fehlende Informationen ergänzen, in: Immobilien & Finanzierung, Ausgabe 15/2016, Seiten 503-505.
- Roland Berger (2016): Digitization in the construction industry, Roland Berger GmbH, Competence Center Civil Economics, Energy & Infrastructure, München.