

DESKTOP AND DRIVE-BY VALUATIONS AT THE LOAN ORIGINATION - WHAT DOES IT MEAN FOR PROPERTY VALUERS?

JOINT RICS AND NAVS CONFERENCE

BELGRADE, OCTOBER 2019



КАМАРА НА
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ОЦЕНИТЕЛИ

CHAMBER OF
PROFESSIONAL
VALUERS



Chamber of Professional Valuers

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DESKTOP AND DRIVE-BY VALUATIONS

Desktop Valuation

A way of valuing a property or business with available (limited) information

- No interior or exterior inspection; no photos
- Less time to prepare
- Cheaper compared to full report
- ✓ We do not know the condition - assumptions
- ✓ We do not know if the property exists
- ✓ We need reliable statistical information – limited use

WHAT?

Drive-by valuation

Valuations without internal inspection of the property. The valuer only looks at the property from the kerbside and with information from zoning maps, aerial images, local council, sales and other databases a range of values is accessed.

- ✓ No interior inspections
- ✓ We do not know the actual condition - assumptions
- ✓ We have personal impressions about location – better than with desktop



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What do standards say?

BULGARIAN VALUATION STANDARDS

No valuation should be done without an inspection, performed by a valuer who is preparing the report

INTERNATIONAL VALUATION STANDARDS - IVS

No specific comments

EUROPEAN VALUATION STANDARDS - EVS

DESKTOP valuations are not considered to be EVS compliant

RICS RED BOOK

The importance of a desktop evaluation (before visiting the site)– a case study



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What does European Banking Authority say?

CONSULTATION PAPER

Draft Guidelines on loan origination and monitoring
10 June 2019

Effective date 30 June 2020

At the point of origination institutions should ensure that the value of property collateral is assessed by an **independent qualified internal or external valuer. For the valuation of an immovable property by a **valuer**, institutions may consider using desktop or drive-by valuation approaches **only** in cases of valuing or revaluing immovable property collateral that is of similar design, specifications and characteristics to the ones already valued or re-valued by a valuer, e.g. similar apartments in the same apartment block. Valuers should provide impartial, **clear, transparent and objective valuations**.**



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CONSULTATION PAPER

**Draft Guidelines on loan origination
and monitoring
10 June 2019**

Effective date 30 June 2020

What choices for valuations does the Bank have?

- **Full valuation report**
- **Desktop valuation**
- **Drive-by valuation**

Limitations for desktop or drive-by valuations: only for properties of similar design, specifications and characteristics to the ones already valued or re-valued by a valuer.

**Important: Prepared by a valuer!
AVMs – not mentioned**



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SOME PRACTICAL ISSUES BULGARIA

- **We started with desktop and drive-by valuations after the crisis (2010-2011)**
- **We insist on receiving of a previous valuation report and all documents available in bank**
- **Problems and limitations – conservative valuations**
- **Wherever we have doubt about the property we want assignment with inspection OR reject assignment**
- **Quicker, cheaper but not as reliable as full valuations**
- **No statistical data – we use asking prices available from internet**
- **Better than AVMs because of the valuer's participation – transparency of calculations and assumptions; responsibility**
- **Not to be performed at the loan origination!**



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THE INVASION OF PROPTech COMPANIES IN VALUATION BUSINESS

WHAT DO THESE PLATFORMS OFFER?

- **Amazon. Zillow. Opendoor. Rex. ?!**
- **OCENIME.BG**
- **QUICK RESULTS**
- **CHEAP RESULTS – OFTEN FREE OF CHARGE (RE brokers and IT platforms)**
- **NO EFFORTS FROM BOTH SIDES: LENDER AND BORROWER, but no reliability**



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OCENIME.BG

- **AI – DRIVEN DATA-CENTER REAL ESTATE PLATFORM**

ocenime.bg is an AI-driven data-centric real estate platform. Its goal is to provide home buyers, owners, and tenants with a large array of information that they can use in order to make better decisions. Information asymmetry is a very prominent feature in the real estate market. By fighting it **ocenime.bg** aims to make the market more efficient and the participants in it happier with their decisions.

At the core of the website comes a proprietary machine learning algorithm used for estimating the market price of any residential property in Bulgaria's biggest cities. The algorithm collects data on all available real estate listings, filters them out for duplicated and outdated information, geolocates them using natural language processing, and enriches them with thousands of location-based variables. In the end we can train our models using a big and representative dataset of the Bulgarian property market, which allows us to derive accurate price estimates.



ocenime.bg



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OCENIME.BG

- MAP LOCATION
- RELEVANT COMPARATIVES

ул. „Мур“, Бъкстон, София, България

Какво е Оцениме.бг Как работи

Нашите оценки

На базата на данните, които обработваме, Оцениме.бг генерира индекси за качество

Нашата оценка за покупка
112,241 евро
1,122 евро/кв.м

Нашата оценка за наем
850 лв.

Обща оценка:
4.6 / 10

переноса	4.8 / 10
парков	0.5 / 10
кондиционност	6.8 / 10
чистота на въздуха	4.0 / 10
безопасност	6.3 / 10
училища	5.2 / 10

Април Май Юни Юли Август Септември

• Подобни

- 3-СТАЕН**
София, Манастирски ливади - запад
88200 евро
Тухла - 99 кв.м - Друго
[Оценки](#) [Информация](#)
- 3-СТАЕН**
София, Манастирски ливади - запад
88767 евро
Тухла - 99 кв.м - Друго
[Оценки](#) [Информация](#)
- 3-СТАЕН**
София, Манастирски ливади
147000 евро
Тухла - 100 кв.м - Друго
[Оценки](#) [Информация](#)
- 3-СТАЕН**
София, Манастирски ливади - запад бл 41 вх А ет. 3 Ап. 25
152000 евро
Тухла - 102 кв.м - ТЕЦ
[Оценки](#) [Информация](#)



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OCENIME.BG



ADDITIONAL CHARACTERISTICS

- DEMOGRAPHIC
- ECOLOGICAL
- FACILITIES NEARBY
- PUBLIC TRANSPORT



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COMPARISSON

REAL TRANSACTION PRICES vs.

QUOTED PRICES

FROM OCENIME PLATFORM

September 2019



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EVERAGE RESIDENTIAL PRICES IN SOFIA

(in EUR per sq.m)

Квартали	Selling prices ADDRESS		Selling prices YAVLENA		Quoted prices- ocenime.bg
	EUR/ sq.m	Deviation Asking prices OCENIME/ADDR ESS	EUR/ sq.m	Deviation Asking prices OCENIME/AYA VLENA	EUR/ sq.m
Borovo	1033	16%	1084	12%	1234
Vitosha	1034	3%	944	12%	1070
Geo Milev	1224	8%	1164	13%	1331
Druzhiba	844	19%	856	17%	1037
Ivan Vazov	1482	21%	1522	18%	1867
Izgreve	1422	18%	1433	17%	1726
Iztok	1422	11%	1433	10%	1595
Krasna polyana	786	17%	802	15%	944
Krasno selo	995	18%	1043	14%	1210
Krastova vada	1106	6%	1023	13%	1172
Lozenetz	1391	14%	1438	11%	1624
Lyulin	722	21%	770	16%	914
Manastirski livadi	1065	5%	1000	11%	1123
Mladost	1218	-2%	999	16%	1193
Nadezhda	822	13%	783	17%	949
Obelya	710	15%	694	17%	834
Ovcha kupel	893	8%	822	15%	972
Sveta troica	928	12%	922	12%	1050
Svoboda	705	26%	798	16%	948
Serdika	705	33%	798	24%	1051
Suhata reka	818	20%	890	13%	1024
Hadji Dimitar	868	17%	802	23%	1044
Centrum	1442	10%	1290	20%	1611
Yavorov	1282	28%	1501	16%	1779

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What we could do?



OR



WE HAVE TO HAVE IN MIND THAT:

Mortgage valuation is for the protection of the Lender, not the Borrower.

- **If Lenders want quick and cheap valuations we have to give them what they want OR we will not remain in this business.**

We need to apply more advanced IT solutions for residential valuations. We need to use databases and to participate in their creation OR we would not be able to compete proptech companies.

- **For non-residential properties it is not possible to prepare reliable desktop or AVM valuation.**

Valuers will have their job, BUT they have to increase their professionalism, the quality of the reports and to give value-added services to their clients.



MY COMPANY SOLUTION

- **We are developing our own platform for creation of valuation reports which incorporates a database of real transactions for residential properties and for industrial, logistics, commercial properties**
- **We participate in a platform which will give an integrated service to the banks gathering information from brokers, notaries, cadaster, lawyers and valuers. This will give a higher value to the customers: safe time for borrowers and give reliable service to the lenders.**

VALUERS HAVE TO REPOSITION THEMSELVES FOR THE FUTURE!



THANK YOU!

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