

## Official and Unofficial valuation standards in Sweden

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### ➤ HISTORICAL BACKGROUND

#### ➤ LEGISLATED VALUATION STANDARDS

- General assessments
- Expropriation and compensation
- Leasehold regulation

#### ➤ PROFESSIONAL VALUATION IN GENERAL



## Royal Institute of Technology (KTH)

Institution of Real Estate Economy

-1960's: Agricultural properties in focus

1970's: Prof. Eric Carlegrim  
Residential and commercial properties  
Market approach

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## Development of the dominant valuation method

- DCF can be used as a tool for valuation



## The Law of Property Assessment

*"The most plausible price in a sale on the open property market"*

*Two years ago!*

*x 75 %*

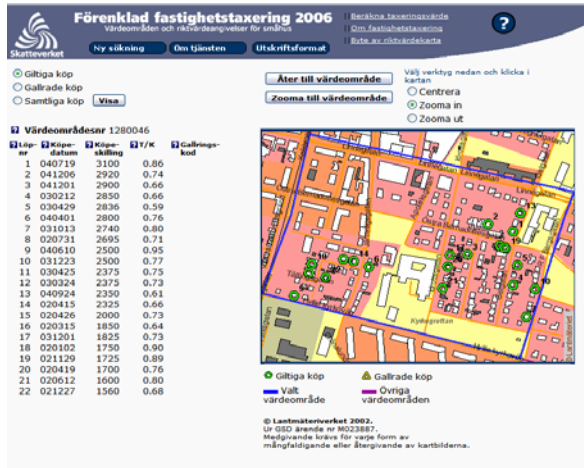
*"Fair" and "uniform" assessments*

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**(The real) Valuations in general assessments  
= The preparation phase**

- Construction of fundamental valuation models
  - Calibration of the models against local market data
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**Calibration:**

Pre assessed value (T)

Adjusted sales price (K)

Average ratio in the value zone  $\approx 0,75$

→ Assessments will be OK!

## Expropriation and compensation

Market value principle

Valuation standards or methods are not specified in the law

Sales comparison methods are in practise preferred by the courts.

Specialized valuation methods for specific frequent cases adapted as common practise.

## Professional valuations in Sweden

SAMFUNDET FÖR FASTIGHETSEKONOMI



= The Swedish Society of Real Estate Economics

SFF:V

= The Association of Swedish Valuers

## Requirements for certificated valuers

- ✓ Minimum 3,5 years education on university level
- ✓ Three years of fulltime practice in the profession
- ✓ Current market knowledge
- ✓ Impartiality
- ✓ Continuing education
- ✓ Compulsory liability insurance

**Certified valuers are obliged to meet  
"generally accepted valuation standards"**

### **The Valuation Guidelines for SFI/IPD Swedish Property Index**

Valuations of properties in the index require common definitions,  
common principles and consistency

Definition of Market Value = IVS

No conflict between the IVS's definition and other shorter definitions,  
normally used in Sweden.



### **The Valuation Guidelines for SFI/IPD Swedish Property Index**

§ Valuation principles

§ Common valuation preconditions

§ Valuation report requirements

Mostly directed to valuation of properties with rental income !



## The Valuation Guidelines for SFI/IPD Swedish Property Index

Two categories of valuation methods:

**Comparable sales and income capitalization**

- key figures determined from documented transactions  
(e. g. yield, SEK/sqm)

**Discounted cash flow analysis (DCF)**

