

# Real Estate Reference–Values for a Better Market Transparency

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## SUMMARY

The improvement of market transparency on the real estate market is one of the most important objectives currently. In Germany market transparency is strongly supported by the advisory committees of land values (Gutachterausschüsse für Grundstückswerte) which release in general key information about the real estate market and its significant parameters and characteristics. Worth mentioning here in particular are the real estate market reports, (standard) land reference-values and other for the valuation process required information. Under the legal regulations with its several guidelines real estate valuation isn't exactly easy to perform. Real estate valuation society and experts are thankful for every support and simplification. For example the use of land reference-values (in terms of the comparison method) simplifies in general the derivation of land values as part of the market value. A next step of innovation to increase market transparency is the derivation of (standard) real estate reference values. These values are average geo-referenced location values for the whole property what include the land and the building part. The article explains the theoretical background of the derivation of real estate reference-values with its important points. For the market segment of condominiums procedures and results for a specific research area in North-Rhine Westphalia, Germany are shown. Special attention is paid to the selection of the significant value influencing object characteristics within the multiple regression analyses. Research has shown that reference land-values can be derived in general, however, various restrictions have to be considered. The number of value influencing object characteristics for built-up properties is much higher than for undeveloped land. Heterogeneity requires a larger number of comparable prices as well as expert knowledge of the operator. The first overall analysis and interpretation (that includes model generation) requires more effort and time than following studies. Estimation of real estate reference-values for the chosen research area has proven that market transparency can be increased. A major condition is that enough comparable prices for the specific submarket are available. Urban regions should fulfil this precondition. Future re-search should focus on other real estate market segments, e.g. individual residential market or mixed properties.