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# BALTIC VALUATION CONFERENCE 2010

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## *Summary*

*From the 16<sup>th</sup>-18<sup>th</sup> September, the 19<sup>th</sup> Baltic Valuation Conference was conducted in Rostock. During the conference, topics such as the 'Changes in rural and urban areas and their impact on real estate valuation' and 'Qualification and certification of valuers – How to secure high quality of experts' were discussed. This paper also demonstrates how countries working together can establish common standards and learn from each other to build the foundation of a joint European real estate market.*

## *Zusammenfassung*

*Die 19. Konferenz der Sachverständigen für Immobilienbewertung der Ostsee-Anrainer-Staaten fand in diesem Jahr vom 16. – 18. September in Rostock statt. Dabei wurden internationale Fachvorträge zu den Themen „Veränderungen im ländlichen und städtischem Raum und ihr Einfluss auf die Wertermittlung“ sowie „Die Sicherung von Qualifikation und Zertifizierung von Sachverständigen – Wie kann die Gutachtenqualität sichergestellt werden“ präsentiert und lebhaft diskutiert. Der Bericht zeigt u.a. wie wichtig die Zusammenarbeit der Staaten, insbesondere das „Voneinander lernen“ und „Gemeinsame Standards schaffen“, vor dem Hintergrund eines gemeinsamen europäischen Immobilienmarktes ist.*

## **1 Introduction**

This year the experts for real estate valuation of the Baltic neighbor states gathered in Germany to exchange subjects of real estate valuation within the scope of the Baltic Valuation Conference (BVC). The Federal Association of Publicly Appointed, Sworn and Qualified Experts, Germany (BVS) had organized this event exemplarily. Other organizers were the working group Real estate valuation (AK 6) of the DVW, the institute of expert's affairs (IfS) and, finally, the European umbrella organization of national real estate valuation organizations TEGoVA (The European Group of Valuers' Associations). Before the detailed reporting begins, some information should introduce the BVC.

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## 2 Background to the Baltic Valuation Conference (BVC)

The property market receives more and more an international arrangement, which is owed among other things e.g. the enlargement of the European Union and the quickly progressive removal of the infrastructure. Engineer's associations and colleges of the Baltic neighbor's states have organized



Uwe Tychsen

during the last 19 years and have produced the BVC. Besides, authorized experts, scientists and experts of the free economy discuss highly topical and land-covering subjects of the valuation. Without doubt is to be called as one of the pioneers of this international platform Mr. Dipl.-Ing. Uwe Tychsen. He is from Germany and an independent expert for construction and valuation. He supported by the years the active exchange and is today the address in Germany to respond questions to the BVC.

Today four Scandinavian countries as well as Iceland, Russia, Estonia, Latvia, Lithuania, Belarus, the Ukraine and Poland count beside Germany to the member states of the BVC. However, with the euro as a future single currency of the EU and according to the uniform European Law, new European partnerships and also duties have been created in the valuation. Important objectives are, e.g. the easier comparability of certificate and in this context the use of standardized valuation methods. Besides should be created comparable standards throughout Europe in the education and the authorization of the experts and valuers. Today it still is in such a way that there are big differences between the Baltic Neighbor States, e.g. in the data protection, the recording and analyzing of purchase prices and the comparative data missing with it, in the kind of fiscal and marketable appraisal or in the use of electronic media. With these not only European problems, primarily, every country for itself must put the points for more transparency at the property and real estate market.

Germany paid attention for the difficulty and has adapted some laws. Thus it was opened by the change of the German federal building code from the 1st of July, 2009 that in future the standard ground values are to be determined all over the country and to be formed in value zones. These are zones in which land prices are averaged to calculate standard ground values. Also the replacement of the German federal ordinance for valuation (WertV of 1988) to the 1st of July, 2010 by the German federal ordinance for real estate valuation (ImmoWertV) allows in future a more transparent development of the real estate values, particularly for investors from abroad. Internet-based information and service systems of some federal states show, how you make real estate values more transparent and generally accessible. So, the committees of experts on real estate value in Lower Saxony (GAG), e.g. developed the Immovables Price Calculator (IPK – Immobilien-Preis-Kalkulator). Another real estate and ground value information system BORISplus.NRW was developed by North Rhine-Westphalia. These services are for standard immovables. They are based on the German digital property transactions inventory. One of the most outstanding things for the nationwide market transparency is the first report "Real Estate Market in Germany". Almost 1 million of purchase prices from all 16 federal states of the years 2007 and 2008 were analyzed and adjusted by the State Valuation Committees for this report.

The next chapter points, which innovations the BVC member states had to report during the Baltic Valuation Conference in Rostock.

### 3 Conference Report

52 participants experienced on this year's Baltic Valuation Conference in the Hanseatic town Rostock, one under the administration of the BVS completely successful program with professional speeches about „changes in the rural and urban areas and their impact on valuation“ as well as „qualification and certification of valuers - how to secure high quality of experts“.

The BVC was opened with the welcoming speech by Bernhard Bischoff, leader of the valuation department of the BVS, on Thursday evening in the historical house tree-



Welcome Speaker Bernhard Bischoff and Anne Scholz in the House Tree-House

house. Afterwards the vice president of the Chamber of Industry and Commerce (IHK) to Rostock, Doreen Jacobsen, welcomed the attendees. Here the thanks for the support by the Hanseatic town Rostock and his Chamber of Industry and Commerce. They made among other things the rooms available. Subsequently Anne Scholz, member in the working group Real Estate Valuation of the DVW, gave a speech about the history of the collection of real estate tax and its taxable procedure. The persons present had during the dinner the possibility to exchange themselves. Besides, it was very interesting among other things for first participant to be able to get to know the lecturers in the approach of the expert conference, but also the long-standing participants and meanwhile friendly colleagues estimated this evening very much.

On Friday the expert conference took place in the citizens' hall in the Rostock city hall. Citizens' president Karina Jens appreciated the impressive tradition of this valuation conference in her welcoming speech. BVS president Roland R. Vogel praised in his words also the meaning of the cooperation about national borders.

Bernhard Bischoff moderated committed and lively the conference and handed over the word to the first professional speech to Dipl.-BW. Bernhard Floter (IfS). He reported on the subject „Public and other certification of Experts in Germany“, what can be probably looked in this form as a unique selling proposition in Europe. Technical and personal suitabilities are still a condition for the qualification and certification of experts in almost all countries. Afterwards Roger Messenger, chairman of the TEGoVA, reported on valuation standards (RICS Red Book) and comparable qualifications of the experts in Europe. The first block ended with the president of the polish valuation association, Christopher Grzesik, who spoke about the meaning of the seal of quality REV - Recognised European Valuer- in Poland. Then the audiences hold stimulating discussions with a hot cup of coffee and a result that almost all Baltic States demand a university education to become an real estate valuer. In Finland the valuation is pursued predominantly by studied geodesists. In addition, even a post-graduated specialization in the countries Poland, Estonia, Latvia and Lithuania is the rule.

Reinhard Krumbholz, chairman of the State Valuation Committee in Lower Saxony, started the second block by presenting the first Report about Real Estate Market in Germany by the committee of experts on real estate value by law. This shows that all over the country up to 75% (North Germany approx. 100%, South Germany approx. 50%) comparative data exist for the real estate valuation. The remarks and overviews which light up the demographic changes are interesting also.

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Comparably comprehensive real estate market reports are not available by the Baltic neighbor's states. There is predominantly need to catch up and therefore currently missing comparative data. Nevertheless you also take care for more transparency with the property data. In Denmark e.g. all purchase prices will be analyzed through the competence centre for real estate valuation SKAT and will be published usually every six months. Reinhard Krumbholz suggested within the scope of the BVC putting together specific real estate data, like for one family houses, condominiums, etc. at least from the participant countries of the BVC for a common Baltic market report. By this proposal for more international transparency Tambet Tiits, chairman of the Estonian expert's association, spoke about the qualification and certification of valuers in Estonia. Another point was the control of the certificated experts. This subject is strictly used differently. The proof of advanced trainings and the presentation of certificates are usual as a rule in all countries. In Estonia, the expert's association visits the valuers and checks randomly their valuation reports. Mr. P.-O. Skoog reports additionally that in Sweden the biggest expert's association ASPECT (Association for Surveying, Property Evaluation and valuation, Competence development and Transaction) offers three types of authorizations, which require different intensive trainings. At first the General-type, there you need at least 4,5 years of university education in specific subjects as law, economics, real estate economics house construction or surveying etc.. If you want the authorization in Agriculture and Forest or for single family houses you need at least 2,5 years of study. Other conditions are three years of practice with an authorized valuer and knowledge of the current market, an independent position and an ongoing education, nine days per three-year period. In Sweden they also rely on ongoing periodic educations. Before the lunch break is coming, Ari Laitala of the Aalto University of Helsinki from Finland introduced the development of an improved course of study real estate valuation. Aim should be to work more practically oriented and to train scientific knowledge faster in the teaching material as well as to integrate knowledge from learning controls and put feedback of the students stronger into the education. One of the most important maxims, that Ari Laitala to the participants of the BVC gave, was „We want to teach not only valuer, we want to teach problem-solver, who thinking like a researcher and find life-long learning is the naturally way.“

At the beginning of the afternoon part Artūrs Žuromskis reported about efforts and challenges of valuers education and certification in Latvia. LAPA, the Latvian Association of Property Appraisers, was registered on 13. January 1995 and became a



organisers and participants of the BVC 2010

member of TEGoVA. Its members are performing valuation according to National, International and European Valuation Standards and also to The Code of Ethic. Recently there were in Latvia hardly problems with valuers who are not certified enough. However, since July, 2010 the regulations are changed extensively, so that also non-authorized valuer may offer valuation reports. LAPA sees problems coming with the new regulations and counts particularly on the European support, for example, by the TEGoVA. They ask for the situation in member countries and support for legal regulations of various property type appraiser certifications, requirements for certified valuations and valuation for real estate taxation. Afterwards from Estonia spoke Kaarel Sakh of the Estonian University of Life Sciences about his analysis to valuation methods. Besides, he came on the difficulties and meaning to get market data and to analyze them correctly. Mr. Sakh emphasized the

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meaning to define the certificate purpose and certificate order clearly and reminded of the fact that all valuations must occur in connection with the economic situation and its development.

The last professional speech block of the Baltic Valuation Conference was initiated by Åke Eriksson from Sweden. Beside carried out demographic investigations Mr. Eriksson explained the influence of



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differently populated areas on the land values to agricultural lands. His result was that in rural areas the surfaces are valued after the soil quality, but surfaces in urban center after factors like location and size. Subsequently Örn Ingvarsson, Civ.-Eng. from Iceland, reported about the registration of property in Iceland and the Icelandic Property Market. Several changes were made to how property assessment is to be performed, so that all properties need to reappraise each year. The annual reappraisal will replace annual indexing and this provides a better correlation with market value and leads to greater equality and fairness in taxation. The known valuation methods were available for this reappraisal. Nevertheless, they had to be complemented by current market data about price trends, location qualities and other correction factors. Purchase Contracts were analyzed in particular for one family houses and condominiums because of its market development. Finally gave Mr. Ingvarsson a review with pictures and description of the heavy economic crisis, which has done Iceland almost in the state bankruptcy and the volcano eruption at the beginning of the year, which had nearly closed down the European air traffic. At the end of the expert conference Mr. Vilni Strazdins informed about progress reports from Latvia and went back with it to the talk of his compatriot Artūrs Žuromskis. Which one took over the word and pronounced the Latvian willingness to organize the 20. Baltic Valuation Conference. All experts and interested valuers are invited therefore warmly in September, 2011 to Riga.

In the evening of the valuation conference after an old tradition it was invited to the conference dinner, this time at restaurant Borwin, nearby the harbour of Rostock. All participants and escorts had in such way the opportunity to reviewing the conference. Afterwards a walkabout through the historical city of Rostock with a night watchman was only for hard-boiled people because it was very wet and very windy.

The BVC ended on Saturday with a city bus tour through Rostock under the technical general subject „town planning challenges in view of social and demographic changes“. Thank-you to Leo Dainat and Thorsten Gebhards of the Rostock society for Urban Renewal and Housing as well as Patrick Schmidt of the Rostock office for urban development, town planning and economy which had accompanied the trip and had informed very well. They introduced both successful projects e.g. the reallocation of surfaces on voluntary base and on improvement awaiting districts.

## 4 Results and Outlook

All participants came to the conclusion that the Baltic Valuation Conference was a successful event in 2010 with its general and social program. Next time it will take place in September, 2011 in Riga / Latvia. They are already glad about it, because their debut is 10 years ago and now they are the host of the 20. BVC.

### Member countries of the Baltic Valuation Conference



source: Google, own presentation