

Quality and Demands Concerning Valuation Data

Winrich Voss (Germany)

Key words: Standards; Valuation; Quality control

SUMMARY

The results of real estate valuations are heavily depending on the data used in the valuation procedure. A reliable data base is essential in each of the different valuation methods, e. g. the derivation of appropriate interest rates when using the income approach or the selection of adequate and sufficient market transactions when applying the comparison approach. “The apparent adequacy and relevance of the data used and enquiries made” are very important aspects concerning the reliability and correctness of the valuation (IVS 2007, Guidance Note No. 11. 1.2.2.1). The International Valuation Standards demand these aspects for reviewing valuations. It is what this paper calls “quality of data”. The paper will analyze the common international valuation standards in view of rules and recommendations concerning the quality of data incorporated in a valuation process. Furthermore the requirements and standards of reporting this aspect in the valuation survey are of interest. Several data sources and data types have to be mentioned (e. g. public or private data collections, transaction-based or supply-based information, original case-based data or aggregated information). Some examples of commonly used data sources will be screened. The paper will conclude in suggestions of fixing aspects for the quality of data. The question is discussed if a “standard for data quality” is useful and could strengthen the reliability of real estate valuations.