

Changes in the Profession of Appraisers

1. Historical Development
2. Necessary Skills and Abilities, Facts and Technical Possibilities
3. What Might Be the Future?

virtual

Baltic Valuation Conference 2021, June 17th



Historical Development

- real estate valuation has been known since hundreds of years, but in Germany was never taught systematically
- in the middle-age guilds had inspectors to control goods, weights and coins



Historical Development

- these taxations were mostly done by “Eldermen”, respected merchants or master craftsmen, and was based on their knowledge
- in Germany (here: Prussia) in 1722 the first “Basics of Taxation” were published



Historical Development

- in the course of time these basics proved to fail in meeting the market value
- simple valuation methods, mainly for agricultural purposes, were developed
- real estate valuation for other buildings became necessary in the 19th century for mortgage lending values



Historical Development

- first taxes were used for defining the lending value and mortgages were allowed up to 50 %, later 67 % - in Germany mortgages are still limited to 60 % of the market value
- from 1911 the Berlin Method was used (income and cost approach by half)



Historical Development

- small changes in the 1940es, but it was not until 1988 that e.g. the interest yield was introduced ...
- as to the qualification of experts there had never been a specified education, it were architects, constructors, geodesists, bankers or brokers who did valuations for court, financial or private purpose



Historical Development

- formal education at a university or other institution has developed in recent years, but is still no mandatory requirement for real estate appraisers in Germany
- certified experts must prove a comprehensive and wide-ranging knowledge, but certification is still no essential prerequisite to offer one's service as expert



Historical Development

- this tradition is probably one of the reasons why valuation is still broadly considered rather a result of experience than a result of scientific education, formulas and pure calculations



Skills, Facts, Possibilities

- abilities of real estate appraisers
 - knowledge of methodology
 - knowledge of market(s)
 - knowledge of juridical and technical background(s)
 - social competence
 - and the ability to combine all these



Skills, Facts, Possibilities

- certified experts have to be willing to use modern means and techniques
- hardly any expert would nowadays refuse digital cameras, computers, dictation software



Skills, Facts, Possibilities

- most of the appraisers use one or more data supply services
- the interpretation of the collected data and the deduction of values, however, must be done personally



Skills, Facts, Possibilities

- with the introduction of digitalization software for real estate valuation was developed and has spread
- the quality of such software depends on the available data, the correct mathematical functions and logical correlations, correct use of valuation methods and the range of extra aspects



Skills, Facts, Possibilities

- Germany is very restrictive with data on sales prices or even descriptions of the traded objects
- the committees of experts get the sales contracts, but mostly cannot visit the objects, so they know about prices, but only little about equipment standards or the state the object is in



Skills, Facts, Possibilities

- banks know a lot more details about the objects, but keep their information in a “closed shop”
- most other data providers use asking prices from the internet or other sources, sometimes with detailed information about the objects, sometimes without, but offers are not necessarily similar to sales prices



Skills, Facts, Possibilities

- changes in the expectation of customers have led to changes in work flows, valuations often have to be done within short time
- mass valuation demands other strategies than the traditional valuation of a single object



Skills, Facts, Possibilities

- digital systems / artificial intelligence have already made and will make a lot of professions redundant, even lawyers are touched by this, and experts for damages at vehicles already suffer from a declining number of jobs



Changes in the Profession of Appraisers

- Historical Development
- Skills, Facts, Possibilities
- Future

Skills, Facts, Possibilities

<https://www.wiwo.de/erfolg/beruf/studie-digitalisierung-und-arbeitsplaetze-welche-jobs-betroffen-sind/12724850-2.html> (part)

employees in	reduction due to automatisisation
teaching	3%
health care (highly qualified)	6%
restaurants (service)	18%
jurisdiction	18%
interpretation, library	23%
constructors	24%
arts and music	24%
design, photography	28%
business consulting, auditors	30%
managers	30%
health care (medium qualified)	30%
office jobs (qualified)	34%
engineering	36%
agriculture, forest, livestock farming	39%
banks, insurance companies	40%
geodesie	53%
office jobs (simple)	55%
IT and science	65%
installation	67%
book-keeping, controlling, finance	70%
mining	84%



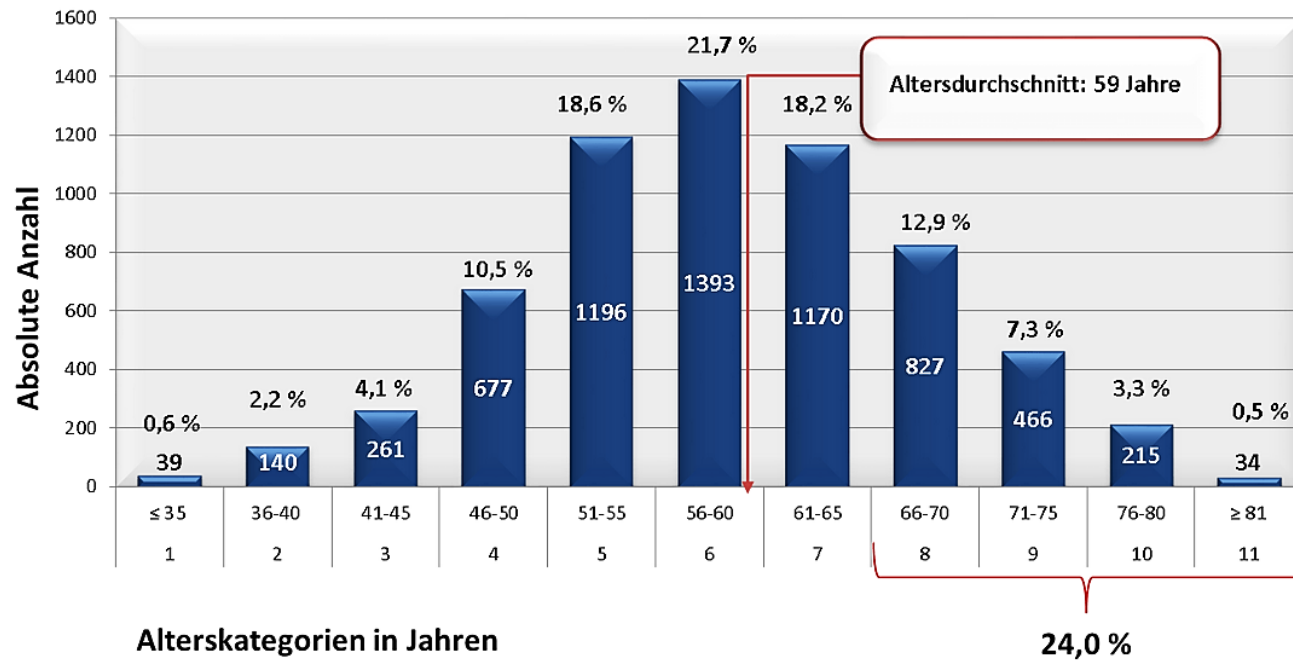
Skills, Facts, Possibilities

- the number of persons applying for a career as appraiser is declining
- the average age of certified experts (not only real estate appraisers) is almost 60, only 17,4 % are younger than 51



Skills, Facts, Possibilities

Altersstruktur der deutschen Sachverständigen 2018



<https://www.dabonline.de/2020/01/29/sachverstaendige-gesucht-gutachter-fehlen-mangel-fuehrt-zu-laengeren-verfahren/>



Future

- data supply for real estate will grow
 - digital construction information
 - digital maps, sketches, statistical information incl. description of surrounding, purchasing power, population development etc.
 - digital contracts and analyzing tools



Future

- intelligent software will detect important facts in documents
- with better analyzing tools a lot of investigation time can be saved for other work
- as manpower seems to be one of the main problems this might be helpful



Future

- algorithms will get more detailed and extensive
- algorithms are unimpressed of personal feelings, such calculations are much more unbiased



Future - Points to discuss

- reliability of data – how can we be sure about the quality and in consequence of the results?
- special objects: will there be enough data available? are the points of interest similar enough for own algorithms?



Future - Points to discuss

- in what way are algorithms influenced by subjective experiences?
- who will develop such algorithms? with what aim? financed by whom? available for whom at what costs?
- who will be the players and how independent can appraisal be under such circumstances?



Future - Points to discuss (2)

- markets change quickly, how can AI follow or who will make it follow? will algorithms be kept actual? at what price?
- real estate is a highly complex and special field, can AI cope with such complexity?
- is AI-supported valuation good for mass valuation as well as individual reports?



Future - Points to discuss (3)

- analysis of data is not enough, it needs interpretation as well – how can AI do this?
- can we put human behaviour / reactions in a formula?
- how can we avoid self-fulfilling prophecies by AI?
- is AI the solution for an aging professional class?



Changes in the Profession of Appraisers

- Historical Development • Skills, Facts, Possibilities • Future

Questions? Comments?

Please, do not forget to take a look at our website

www.baltic-valuation-conference.org

Ina Viebrok-Hörmann
Sachverständigenbüro Hörmann
Mörkenstraße 18
D 27572 Bremerhaven
info@sv-hoermann.de

