

UK and European real estate valuation and sale price differences 2010: IPD evidence.

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2011 report of the annual comparison of valuations against sale prices of UK and European commercial property is carried out for the Royal Institution of Chartered Surveyors by Investment Property Databank.

The main key questions:

1. How much do sale prices differ from previous valuations?
2. Are differences random or were sale prices consistently above or below the latest valuation?

Table 1: Sample Sizes, 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
France	123	262	366	355	370	402	485	527	519	505	557
Germany	85	142	313	247	300	257	617	483	190	64	107
Netherlands	210	369	487	418	286	361	296	318	197	197	222
UK	1114	1318	1340	1216	984	1006	1020	903	1233	1042	652

The headline 2011 findings across the four major markets were as follows:

Table 2: Valuation Price Differences, % 2010

	France	Germany	Netherlands	UK
Capital Growth	4.0	-0.9	-0.8	8.3
Un-weighted Average Absolute Difference	11.7	15.9	12.7	12.6
Weighted Average Absolute Difference	8.8	14.2	11.8	12.5
Un-weighted Average Direction Difference	3.4	-0.1	0.5	4.4
Weighted Average Direction Difference	2.8	0.4	5.0	8.3

1. In 2010, the value weighted average absolute differences between sale prices and preceding Market Adjusted Valuations ranged from 8.8% in France to 14.2% in Germany. Treating all valuations equally – regardless of capital value – Germany reported the widest spread, at 15.9%.
2. Average weighted direction differences, which measure whether values were under or over stated, were positive in all four markets.
3. Germany was the only market where the majority of assets were sold at prices below their preceding Market Adjusted Valuations (Figure 1). When compared to 2009, the French and German markets saw a fall in the proportion of assets sold at prices above the preceding Market Adjusted Valuation.
4. UK market experienced the largest increase in its assets' sale prices being sold above their preceding Market Adjusted Valuations (Figure 1), which is mirrored by an increase in capital value growth, which was significant when compared to the capital value losses observed in 2009.
5. Traditionally across all four markets, the trend was for more valuable assets to be sold at prices closer to their preceding Market Adjusted Valuations, as indicated by a lower weighted average absolute average difference than un-weighted. 2010 saw a continuation of this trend in all markets apart from Germany, where smaller assets were sold for prices more in line with their preceding valuations.
6. On an average weighted basis, all markets saw larger and more valuable assets sold at greater premiums to their preceding valuations than smaller, less valuable assets (Figure 2). In comparison with other markets, the UK saw the greatest weighted premium.

Figure 1: Proportion of sales sold above/below their preceding Market Adjusted Valuation, % 2010

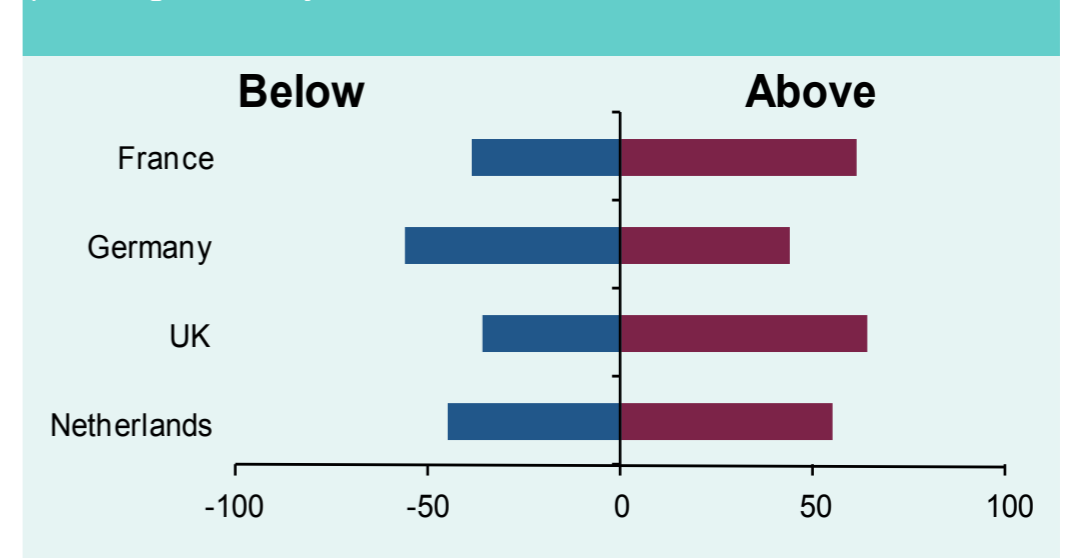
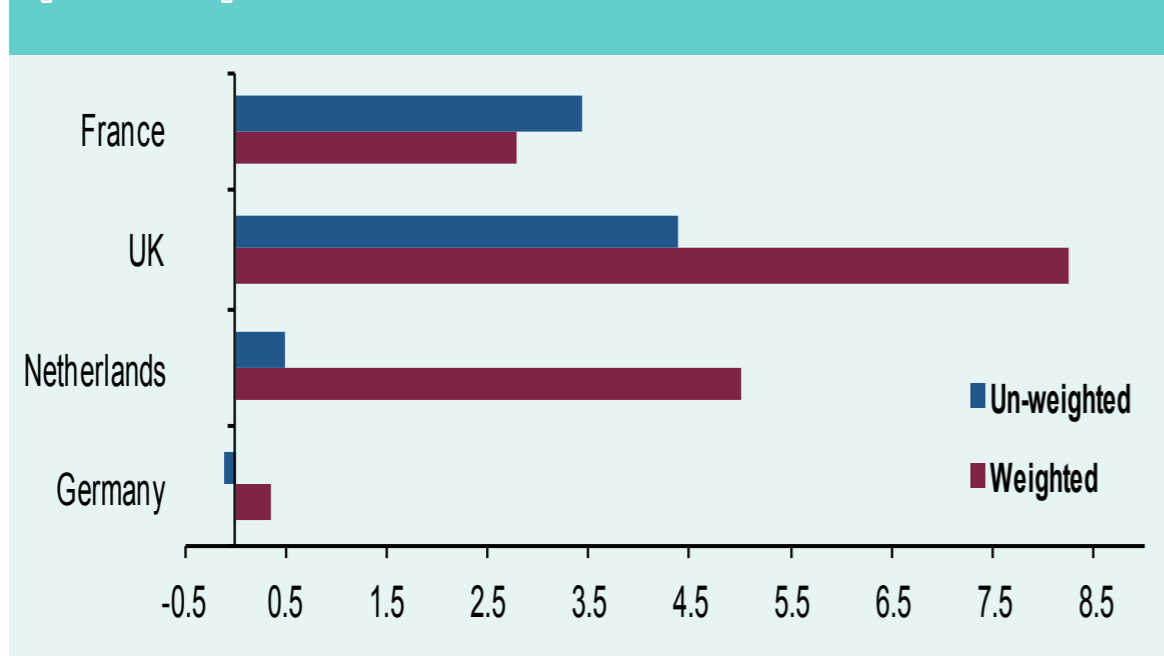


Figure 2: Average Direction Differences 2010, %



7. The spread of sale prices about preceding valuations was wider in all markets, apart from the UK, in 2010 with a noticeably lower proportion of transactions sold for within +/-10% and +/-15% of the preceding Market Adjusted Valuations in France and in the Netherlands, respectively, than in 2009. (Table 3).

Table 3: Distribution of Transactions by Average Un-weighted Direction Difference Bands, % 2010 (2009)

	+/- 10%	+/- 15%	+/- 20%
France	40 (63)	48 (78)	52 (86)
Germany	50 (53)	65 (59)	75 (69)
Netherlands	64 (65)	75 (82)	80 (88)
UK	57 (55)	72 (71)	82 (82)

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