

What Is the Quality of Your Valuation Data?

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SUMMARY

In the Netherlands all nine million properties are valued annually. The estimated market value is formally assessed and used for taxation, other formal purposes and is (for residential properties) also available on the internet for sorts of private use.

The correctness (accuracy, reliability) of the estimated value is therefore of great importance. This quality of the valuations is of course being optimized by the use of systems for automated valuation models (AVM's or CAMA-systems) and careful testing of the valuation results using statistical techniques as well as the check of samples of properties.

But the result of any valuation and specially the results of mass valuations are depending on the quality of the data that is used for the valuation. Without proper market data it is impossible to estimate market values. But as important as market data is the availability of object characteristics of all properties. The object characteristics used for the mass valuation range from location, size of parcel, type of property, size and year of construction of buildings to maintenance condition, quality of materials and facilities.

It is therefore very important that a municipality, who in the Netherlands is responsible for the valuation, can guarantee the correctness of the registered object characteristics before the valuation models are used and as part of the quality checks on the results of the valuation.

For that purpose in the Netherlands we have developed a protocol for measuring the quality of the registered object characteristics. Municipalities are obliged to use this protocol at least once a year to gain insight in the quality of the data available. The protocol gives for instance guidelines for the size of samples to be taken for comparing the registered data with the real world. The results of

these samples are then extrapolated to all properties in the municipalities.

If the percentage of errors in the registered data is too high, the municipality has to perform extra checks and an optimization of the data registered. In some cases a re-inventory of one or more characteristics of all properties can be necessary.

Because for instance also results of market analyses and on-site inspections for the handling of appeals can be used in the protocol for measuring data quality, the protocol works quite efficient for the municipalities and is also of great importance for the Netherlands Council for Real Estate assessment who is responsible for the supervision of the mass valuation in the Netherlands.