

Appraisal requirements

Certification

Delta Examination as HypZert
Real Estate Valuer for Mortgage
Lending Valuation – HypZert MLV

Appraisal requirements

Appraisals must be understandable, well founded and complete and depending on the type of property and purpose or subject matter of valuation the following points should be considered in full compliance with relevant local requirements:

CLV = Calculation of mortgage lending value

CMV = Calculation of market value

Table of contents	CLV	CMV
General requirements to appraisals		
1 Principles		
The valuer must	x	x
• work towards structuring and carrying out his task with due care	x	x
• establish the basic valuation requirements independently	x	x
• check the plausibility of documentation and information provided by third parties	x	x
• provide sources for the data used	x	x
• state any foreseeable change in the type of use or development potential and take this into account with a view to the prevailing legal and economic conditions	x	x
• provide a clear summary of the results of the valuation. This includes in particular: <ul style="list-style-type: none"> • Total real estate value and value type • Valuation requirements (either statutory or from the client) which assume conditions that deviate from the actual situation in the valuation • Other conditions that have an effect on value 	x	x
2 Depending on the objective and the circumstances of the property the following points should be included in the appraisals:		
2.1 General information		
• Type of property, address (municipality, street, house number)	x	x
• Order and client, date of order, owner	x	x
• Objective of appraisal (content of order, purpose and/or order to take evidence)	x	x
• Type of value	x	x
• Land register and ground register data <ul style="list-style-type: none"> • Land register district, page of the land register • Portfolio, section I and II, if applicable also section III (if it affects value) • Parcel, parcel number, plot size 	x	x
• Documentation and information relating to the property	x	x
• Date and participants in on-site inspection	x	x
• Support of assistants	x	x
• Quality reporting date	x	x
• Valuation date		x
• Number of copies of appraisal	x	x
• Table of contents with page numbers	x	x
• Table of annexes	x	x
• Bibliography	x	x
• Materials used	x	x
• Assumptions and exclusions	x	x

Table of contents	CLV	CMV
2.2 Description and assessment of location		
• Location of property (macro location, micro location)	x	x
• Details of location (image, access to transport, local supplies etc.)	x	x
• Residential and/or commercial location, neighbourhood situation, traffic situation etc.	x	x
2.3 Description and assessment of ground and land		
• Layout, topographical situation	x	x
• Land quality (subsoil, ground water etc.)	x	x
• Contamination	x	x
• Infrastructure (traffic, supply and disposal)	x	x
2.4 Legal situation, actual use		
• Actual/possible use	x	x
• Situation in terms of tax and charges laws	x	x
• Informal plans	x	x
• Degree of property development	x	x
• Situation in terms of construction planning	x	x
• Preparatory land use planning etc.		
• Land utilisation plan		
• Area development plan/landscape plan and other planning		
• Binding land use planning etc.		
• Development plan		
• Replacement planning provisions		
• Exceptions and exemptions		
• Type and extent of permissible use for construction		
• Special urban development law		
• Redevelopment bylaws, development bylaws		
• Preservation statutes and urban development orders		
• Other municipal statutes		
• Urban development agreements		
• Project and infrastructure plans		
• Land order procedure	x	x
• Urban renewal	x	x
• Dispossession and compensation	x	x
• Situation in terms of statutory building code	x	x
• Planning permission		
• Separation areas/protection of neighbouring properties		
• Obligations in terms of parking spaces		
• Building encumbrances		
• Apartments that can be sold as self-contained condominiums		
• Other regulations under public law, such as	x	x
• Emission protection, environmental protection, nature conservation		
• Protection of ancient monuments		
• Official approvals of plans (major roads, railways etc.)		
• Agreements under public law		
• Situation under private law	x	x
• Rights secured in land register (easements etc.)		
• Non-registered rights etc.		
• Agreements (rent and lease agreements, shared ownership deeds, management agreements etc.)		
• Laws concerning the interests of neighbours or occupiers of adjoining property		
• Agreements under law of obligation		

Table of contents	CLV	CMV
2.5 Description and assessment of buildings and exterior facilities		
• Building type, type of use	x	x
• Year of construction	x	x
• Construction method, construction concept (e.g. ground plan design, height of storeys, utilisation key)	x	x
• Description of construction	x	x
• Condition of construction (incl. construction deficiencies, damage), note of non-tested building components or assumed damage, contamination	x	x
• Environmental friendliness	x	x
• Date and scope of modernisations and extensions	x	x
• Demolition required	x	x
• Possibilities for extension	x	x
• Special building components, special equipment	x	x
• Normal total period of use	x	x
• Technical/economic remaining period of use	x	x
• Ancillary buildings	x	x
• Exterior facilities	x	x

2.6 Details of area and dimensions including audit of documents used		
• Calculation basis used	x	x
• Documents used (technical drawings, third-party calculations, on-site measurements etc.)	x	x
• Area developed	x	x
• Floor space	x	x
• Living space/useable floor area	x	x
• Rentable area (living/commercial area)	x	x
• Gross building area (GBA) <ul style="list-style-type: none"> • Verification of planning law • Calculation of production costs • Calculation of value-relevant floor-to-area ration 	x	x
• Cubage (gross volume, converted areas etc.)	x	x
• Ratio of cubage to living area and useable floor area	x	x
• Building area (land bank of developable sites, area nearest road frontage/back land, building land, garden land etc.)	x	x
• Ratios: <ul style="list-style-type: none"> • Site coverage index • Floor-to-area ratio • Cubic density 	x	x

2.7 Economic situation and property market		
• Supply and demand	x	x
• Utilisation possibilities and possibilities for third-party use	x	x
• Reasons for the suitability of single and two-family homes and/or condominiums for owner-occupation	x	
• Eligibility as cover fund	x	
• Suitability as security provided by bank	x	x

Table of contents	CLV	CMV
3 Choice of valuation method and reason		
3.1 Comparative value method		
• Adjusted price comparison of actual sales (direct comparative value method)	x	x
• Standard land values with property-relevant adjustment (indirect comparative method)	x	x
• Details of reliability of data basis and of indices uses as well as conversion coefficients	x	x
• Condominiums and part ownership (including other developed properties)	x	x
• Adjusted price comparison of actual sales (direct comparative value method)	x	x
• Comparative factors method with property-relevant adjustment (indirect comparative value method)	x	x
• Details of reliability of data basis and of indices uses as well as conversion coefficients	x	x
• Determining the comparative value	x	x
• Explanation of the terms used and of the underlying data	x	x
3.2 Capitalised income value method		
• Selection of and reasons for the capitalised income value method: general or simplified capitalised income value method or based on different income sources		x
• Income typically achievable on the market		x
• Periodically varying income		x
• Sustainably achievable income	x	
• Actual rent income with definition of the term "rent" and assessment of long term achievability	x	x
• Overrent/underrent, reasons for the time spans chosen	x	x
• Details of rent agreement obligations	x	x
• Inclusion of non-rented or own-use rooms	x	x
• Management costs model: Model, source and derivation	x	x
• Calculation of net operating income	x	x
• Statement of property yield: reasons		x
• Statement of capitalisation rate: reasons	x	
• Land value/Annual return on land value (also statement of independently utilisable partial areas)	x	x
• Explanation of the income from the building	x	x
• Derivation of remaining period of use and the notional year of construction if necessary; model	x	x
• Capitalisation	x	x
• Discounting when income varies periodically		x
• Calculation of capitalised income value	x	x
• Explanation of terminology used and data basis	x	x
3.3 Asset value method		
• Calculation of normal production costs as per the valuation date/quality reporting date; model, source and derivation	x	x
• Statement of incidentals; model, source and derivation	x	x
• Calculation of production costs	x	x
• Statement of overall useful life	x	x
• Derivation of remaining period of use and the notional year of construction if necessary; model	x	x
• Determination of technical/economic decrease in value	x	x

Table of contents	CLV	CMV
• Calculation of value of building (including special building components and special equipment)	x	x
• Valuation of exterior facilities	x	x
• Statement of asset value factors	x	x
• Calculation of asset value of usable physical and other structures	x	x
• Explanation of terminology used and data basis	x	x
3.4 Other methods, with assessment of their validity		
• Other methods of land valuation (residual method etc.)		x
• Other methods of valuing developed properties (discounted cash flow method, residual method etc.)		x
• Other methods (e.g. control methods)		x
4 Market value		
• Derivation of the unencumbered and damage-free comparative, asset or income value from the result of the respective method, reasons for the choice of the method(s)		x
• Considering and explaining the influence of the general value situation on the property market (market adaptation)		x
• Considering and explaining the influence of special property-specific features (structural deficiencies and damages, deviations from market-typical/sustainably achievable income, rights section II)		x
• Derivation of Verkehrswert/market value from the results of procedure (reasons for any required additions or subtractions from capitalised income value, asset value or comparative value)		x
• Statement of Verkehrswert/market value and the relative Verkehrswert per square metre of living or useable space and the multiple of the annual net income and/or gross proceeds		x
• If applicable answer the court order to take evidence		x
• Description of assumptions made (in particular if they deviate from the actual situation)		x
5 Mortgage lending value		
5.1 Special requirements from the BelWertV (mortgage lending value method), in particular		
• Mortgage lending value method (§ 4 BelWertV) <ul style="list-style-type: none"> • Separate calculation of asset value and capitalised income value • Separate calculation of comparative value and capitalised income value • If difference between asset value/comparative value and capitalised income value is more than 20 percent, a special sustainability audit should be carried out • Examination of possibility for owner occupation, calculation of state-of-development values for properties under construction etc. 	x	
• Appraisal (§ 5 BelWertV), e.g. <ul style="list-style-type: none"> • Details of quality of property and location • Details of regional real estate market • Details of potential buyer and user groups etc. 	x	
• Management costs (§ 11 BelWertV), e.g. <ul style="list-style-type: none"> • Individual costs approach for management costs • Ranges • Minimum level for management costs approach • Modernisation risk etc. 	x	

Table of contents	CLV	CMV
<ul style="list-style-type: none"> Capitalisation of net operating income (§ 12 BelWertV), <ul style="list-style-type: none"> Minimum capitalisation rates, ranges Below range in case of top-class real estate etc. 	x	
<ul style="list-style-type: none"> Calculation of capitalised income value in special cases (§ 13 BelWertV) <ul style="list-style-type: none"> where the net income of a building is negative For remaining periods of use of less than 30 years For land value of more than half of the capitalised income value 	x	
<ul style="list-style-type: none"> Land value (§ 15 BelWertV), e.g. <ul style="list-style-type: none"> Data required to calculate land value 	x	
<ul style="list-style-type: none"> Value of physical structures (§ 16 BelWertV), e.g. <ul style="list-style-type: none"> Safety factor reduction Restriction of incidentals etc. 	x	
<ul style="list-style-type: none"> Calculation of comparative value (§ 19 BelWertV) <ul style="list-style-type: none"> Safety factor reduction 	x	
<ul style="list-style-type: none"> Developable land (§ 20 BelWertV) <ul style="list-style-type: none"> Exclusive inclusion of secured building rights 	x	
<ul style="list-style-type: none"> Ground lease rights and similar property leasehold rights (§ 21 BelWertV) 	x	
<ul style="list-style-type: none"> Machines and operational facilities (§ 23 BelWertV), e.g. main components 	x	
<ul style="list-style-type: none"> Residentially used properties in case of granting of small loans (§ 24 BelWertV) <ul style="list-style-type: none"> Limit of small loans Simplified valuation Possibility of not viewing site etc. 	x	
<ul style="list-style-type: none"> Mortgage lending in other countries (§ 25 BelWertV), e.g. <ul style="list-style-type: none"> Country-specific appraisal Viewing requirements etc. 	x	
<ul style="list-style-type: none"> Review of mortgage lending value calculation (§ 26 BelWertV), e.g. <ul style="list-style-type: none"> Basis Performance lag etc. 	x	
5.2 Assessment of property as bank security (e.g. possibility of use by third party)	x	x
5.3 Assessment of property in terms of eligibility as cover funds, enforceability	x	
5.4 Treatment of rights in section II from a financial perspective	x	
5.5 Derivation of the mortgage lending value	x	
6 Other real estate values		
<ul style="list-style-type: none"> Fiscal and balance sheet values, insurance values as well as other values depending on objectives 		x
7 Date, stamp, signature	x	x
<ul style="list-style-type: none"> If applicable declaration of impartiality 	x	x
8 Annexes (if required for better understanding)		
<ul style="list-style-type: none"> Plans with suitable scale: <ul style="list-style-type: none"> Site plans (1:100,000/macro location to 1:5,000/micro location) Cadastral map Standard ground value map 	x	x
<ul style="list-style-type: none"> Building ground plans, sectional drawings and views 	x	x
<ul style="list-style-type: none"> Calculations, photos with overviews etc. 	x	x
<ul style="list-style-type: none"> Rentability/Usability 	x	x