Market Value Survey

English Housing Survey technical advice note

Market Value Survey

English Housing Survey technical advice note

Contents

English Housing Survey

Market Value Survey

Introduction and background

1. This note is one of a series of Technical Advice Notes to give users further information about how the EHS data is collected and quality assured and how some of the key derived measures are created.

2. This note relates to the Market Valuation Survey (MVS) that is run annually to provide independent market valuations for all those EHS sampled properties that form part of the EHS dwelling sample i.e. those which have both an interview with the householder and a subsequent physical inspection of the property by an EHS surveyor. Properties vacant at interview but which are included in the physical survey also form part of the Market Value Survey. A total of about 8,000 cases are therefore valued each year.

3. Results from this survey are used in reporting and in the creation of a derived variable on the equity owners have in their home. This is derived in conjunction with data collected as part of the household interview on any outstanding mortgage/loan secured on the property. The valuations and equity variables are also available on the EHS Housing Stock data set deposited at the UK Data Archive.

MVS Data collection

4. For each property in the dwelling sub-sample two market valuations are collected (assuming vacant possession) as at 1 October each year i.e. cases in the 2008/09 sample are valued as at 1 October 2008:

   - Value in current condition
   - Value assuming any defects are rectified

5. In addition to the market valuations, a set of questions are also asked about the housing market in the area in which each sampled dwelling is located. See questionnaire at Appendix 1.

6. Valuers - from the Valuation Office Agency (VOA) - provide the market valuations along with the other related information. The VOA are a government agency responsible for compiling and maintaining the business rating and council tax valuation lists, valuing property for tax purposes and providing property advice to the public sector. The VOA has a comprehensive network of local offices and experience of valuing all property types and tenures. Overall management of the MVS is the responsibility of the Office for National Statistics (ONS) who are the primary contractor appointed by DCLG to run the EHS each year.

7. Data are collected from the VOA via a secure dedicated website set up by ONS. ONS upload details of the EHS sample properties to be valued to the site and provide VOA regional team leaders with an overview of properties in their area, sorted by local authority and postcode. Each VOA office is responsible for a number of local authorities. VOA then allocate groups of properties to individual offices and valuers.

8. Around 65 VOA valuers are involved in the MVS with the number of valuers per region varying from around four to fifteen in the more densely populated regions. A large proportion of the valuers have previously worked on the MVS in when it formed of the English House Condition Survey. The valuers are supported by caseworker support staff who carry out initial market research and data inputting.

Valuation methodology

9. As part of their physical inspection, EHS surveyors photograph the front and rear view of the dwelling and a view up and down the street. These photographs, together with data collected about the nature and condition of the dwellings, are supplied to valuers to inform their valuation.

10. The key data from the physical inspection of properties provided to valuers includes:

- dwelling address
- tenure
- building type
- construction date
- number of rooms
- number of floors
- useable floor area
- parking provision
- the presence of central heating
- the presence of double glazing
- the type of location (urban/rural)
- major repairs required, and associated costs, to any of the following: chimney, roof structure, wall structure, wall finish, windows, damp proof course, electrical system, interior repairs, and internal amenities.

11. Valuers consult all relevant information available to them when carrying out valuations. This includes:

- information available within the VOA local offices, including sales evidence of comparable property types

- full range of descriptive information provided from the EHS (see above)

- schedules of comparable market evidence

- other information to assist in answering questions regarding the locality

- use of the Automated Valuation Model (see below)

Automated Valuation Model (AVM)

12. The Automated Valuation Model (AVM) has been developed by the VOA as a means of generating a property valuation based on the statistical analysis of property data and transactions. The AVM uses 'comparables' i.e. data about properties similar to the subject property from a two-year window covering 21 months prior to the AVM valuation date (April 2007) and three months after the AVM valuation date. It selects the five best comparables by comparing property attributes and then applies adjustments to these in order to value the subject property. For the purposes of the EHS the values produced by the AVM are essentially indexed from April 2007 to the valuation date. The AVM is re-based annually e.g. to 1 April 2009, for the 2009/10 MVS.

13. The AVM can therefore provide an indicative valuation for the great majority of EHS cases to assist valuers. Cases where the AVM estimate cannot be provided (typically less than 5%) are those with insufficient confidence in the derived estimate. Confidence in the AVM estimates was generated through a confidence score and a Red, Amber Green (RAG) status indicator to show the valuer how reliable the AVM values were considered to be. The confidence score and the RAG status fulfil a similar function but are assessed in different ways:

14. The confidence score is automatically generated by the AVM and is a guide as to how confident the valuer can be in its market value estimate.

15. The RAG status is assigned on the basis of the available information as to how well the AVM performs for certain categories of property.

16. The AVM is also used to flag up mis-matches between VOA and ONS data about a particular property e.g. differing estimates of floorspace. For the purpose of the MVS survey valuers are required to value the properties on the basis of the EHS survey data, whereas the AVM values the property based on VOA data. This flagging of data mis-matches is useful in alerting the valuer to treat the AVM figure with caution and that it may require adjusting to arrive at a market value on the basis of the EHS data.

17. Analysis at the conclusion of the exercise indicated that approximately 60% of the values provided by the AVM were within +/- 10% of the valuer's final valuation.

Data collection and website development

18. Data collection is conducted via a secure dedicated website developed by ONS. VOA valuers are issued with a log-in account to view photographs and other information about cases allocated to them. They then provide their market valuations and answers to the related questions via an on-line questionnaire. The website is designed to include routing controls, checks on responses entered and validation to ensure no missing data. There is also

additional clickable information to help valuers interpret and respond to the questions as intended.

19. Where valuers expressed concern over discrepancies between VOA and EHS property descriptions these were investigated and resolved. Where no reconciliation was possible valuers were asked to value on the basis of the property details provided from the EHS. Such discrepancies generally caused no problems.

20. Valuations are supplied for all cases in the EHS dwelling sample – i.e. there is a 100 per cent response.

Data checking

21. Prior to the final data set being downloaded from the website, VOA conduct quality checks to verify valuations, questions on demand (specifically questions 6, 7, 9, 10) and the nature of discrepancies identified by valuers (questions 12 and 13). Very few changes are made to the original valuer decisions and those that are made are generally to move the response by one category only. Some of the cross checks that first indicated inconsistencies are often established to be valid and just a reflection of features of the particular local area. For example, an area categorised as low/negligible demand can in some areas legitimately be categorised as having less than 2.5 per cent of the properties vacant. These properties could be high-rise flats in a local authority area with no demand to buy or rent out of choice. However the council maintains high occupancy levels because there is no choice of alternative accommodation for the particular client group.

22. Valuations are checked mainly by reference to value per m2 of floor space, focusing on either very high or very low results, and then asking valuers to review them. The valuations are also checked by comparing reported values against council tax band values appropriately indexed, and once again asking valuers to review cases that caused concern.

23. The VOA regional co-ordinators also carry out a minimum of a 1 per cent check on each valuer's work, checking valuations and also all responses to the questionnaire.

24. Once the complete data set is downloaded from the website, ONS further check data using SPSS syntax, i.e. cross tabulations of demand questions with others, to ensure data quality.

Assessment of data quality

25. The MVS questionnaire asks valuers how confident they feel in their valuations and whether they feel there are any discrepancies in the data they use to evaluate MVS dwellings (questions 11-14 on the MVS questionnaire in appendix 1).

26. In 2008/09, 69 per cent of valuations were either informed by information from a recent sale (13 per cent) or the valuer was very confident in the quality of their valuation (56 per cent).

27. Valuers also flag up any apparent discrepancies between the data held by themselves and the property descriptions provided from the EHS. This typically applies to around 10 per cent of cases.

28. Valuers were most likely to mention discrepancies between website and VOA information on the floor areas of dwellings – representing 62 per cent of dwellings with discrepancies. However, this is not considered a major problem as floor area is measured slightly differently by the VOA and in the EHS.

Appendix 1: Market Value Survey Questionnaire 2008-09

(Hard copy version of survey form as appears on MVS website)

Valuer ID   Postcode   Case ID

VALUATION QUESTIONNAIRE

(You may find it helpful to have your written instructions to hand when completing this questionnaire. They include detailed guidance to answering the questions.)

MARKET VALUATIONS
Please write in the boxes provided

a) Market value **(as at 01-Oct-08) (£)**	£			,				,		
b) Market value **(after repairs) (£)**	£			,				,		

Please check:
- The market value after repairs should not be lower than the market value before repairs.
- The market value after repairs are not likely to be more than 130% of the market value before repairs.
- If repairs are needed, then the market value after repairs must be equal to or greater than the market value before repairs.

ADDITIONAL PROPERTY QUESTIONS

Please circle the number below/ next to your chosen response/s to each question

The Private Rental Sector

1) Number of dwellings in the locality

Under 100 1	100-299 2	300-499 3	500 or over 4	Isolated 5* ⬇

*If 5 go to question 11)

2) Number of privately rented dwellings in the locality

Under 5% 1* ⬇	5-9% 2* ⬇	10-24% 3	25-49% 4	50% or over 5

*If 1 or 2 go to question 5)

3)   Which best describes the predominant client group for the private rented dwellings in the locality?
If necessary you can select up to 3 specific client groups.

Specific client group:	
Students	1
Another restricted group (e.g. NHS staff)	2
Young professional people	3
Young people on lower incomes	4
Housing Benefit recipients	5
Asylum seekers	6
People on long-standing regulated tenancies	7
Families	8
Vulnerable e.g. elderly, disabled	9

	Holiday makers	10
No particular client group dominant		11
Another group		12

4) Which best describes the predominant type of dwelling provided in the private rented sector in the locality?

Select <u>one</u> category only

A specific type:		
	Purpose built flats	1
	Whole houses occupied by single family household	2
	Whole houses occupied by group of people sharing	3
	Houses converted into flats	4
	Houses converted into bedsits	5
No particular dwelling type dominant		6

Level of market demand

5) Level of demand in this locality

Negligible demand 1	Limited demand 2	Moderate demand 3	High demand 4

6) Number of weeks to sell a property in the locality

Under 2 weeks 1	2 to 8 weeks 2	9 to 16 weeks 3	17 to 26 weeks 4	27 to 51 weeks 5	52 weeks or over 6

Please check:
- If your answer to question 5 was 'high demand' then your answer to question 6 – time to sell – is likely to be 16 weeks or less
- If your answer to question 5 was 'negligible' then your answer to question 6 – time to sell – is likely to be 27 weeks or more

7) Number of weeks to rent a property in the locality

Under 1 week 1	2 to 4 weeks 2	5 to 13 weeks 3	14 to 25 weeks 4	26 weeks or over 5

Do not answer this question:
- If your answer to question 2 was 'under 5%'

Please check:
- If your answer to question 5 was 'high demand' then your answer to question 7 – time to rent – is likely to be 13 weeks or less
- If your answer to question 5 was 'negligible' then your answer to question 7 – time to rent – is likely to be 14 weeks or more

8) Typical property value in the locality (Assume a three bed semi-detached house)

Under £15,000 1	£15,000 to £29,999 2	£30,000 to £59,999 3	£60,000 to £119,999 4	£120,000 to £174,999 5	£175,000 to £249,999 6	£250,000 or over 7

Please check:
- If your answer to question 5 was 'negligible' then your answer to question 8 – property value – is likely to be less than £120K

9) Percentage of properties for sale / rent in the locality

less than 2.5% 1	2.5-10% 2	11-25% 3	26-49% 4	50% or more 5

Please check:

- If your answer to question 5 was 'high demand' then your answer to question 9 – % properties for sale/rent – is likely to be 10% or less
- If your answer to question 5 was 'negligible' then your answer to question 9 – % properties for sale/rent – is likely to be more than 10%

Valuer ID   **Postcode**   **Case ID**

10) Percentage of properties vacant long-term in the locality	less than 2.5% 1	2.5-10% 2	11-25% 3	26-49% 4	50% or over 5

Please check:
- If your answer to question 5 was 'high demand' then your answer to question 10 – % properties vacant long-term – is likely to be 10% or less
- If your answer to question 5 was 'negligible' then your answer to question 10 – % properties vacant long-term – is likely to be more than 10%

General background to market valuations

11) How confident are you about the market valuation you have provided?	Based on recent sale 1	Very confident 2	Reasonably confident 3	Less confident 4

12) Are there any major discrepancies between the data provided here, the VOA data or your local knowledge?	Yes * 1	No** 2

* If 'Yes' – go to question 13

** If 'No' - go to question 15 (Council Tax Band)

13) Please record the discrepancies found below:
You can select as many types of discrepancy as apply

Picture and description do not match	1
Website information inconsistent with VOA floor area data	2
Website information inconsistent with other VOA information	3
Inconsistencies within the website information	4
Other (Please specify)	5

14) Have these discrepancies seriously affected how you have valued the property?	Yes 1	No 2

Property council tax band

In most cases the council tax band will have automatically been matched. If this is the case for this property the band will appear on the dwelling description sheet, and on your A3 preparatory sheet. If the Council Tax Band does not appear on these – please could you circle the number below the band appropriate for the property you are valuing.

15a) Property council tax band

Up to £40,000 A	£40,001 to £52,000 B	£52,001 to £68,000 C	£68,001 to £88,000 D
1	2	3	4
£88,001 to £120,000 E	£120,001 to £160,000 F	£160,001 to £320,000 G	£320,001 and over H
5	6	7	8

If not populated then provide CTB and go to Q15b otherwise 'This is the end of the Questionnaire'.

Please check:
- If you have valued the property less than £75,000 then your answer to question 15 – council tax band – is not likely to be Band F, G or H.
- If you have valued the property more than £400,000 then your answer to question 15 – council tax band – is not likely to be Band A or B.

15b) Is the Council Tax Band you have just entered Notional or from VOA records	Notional	VOA
	1	2