

FIG

FIG WORKING WEEK 2017

Helsinki Finland

29 May - 2 June 2017

*Presented at the FIG Working Week 2017,
May 29 - June 2, 2017 in Helsinki, Finland*



Surveying the world of tomorrow -
From digitalisation to augmented reality

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Legal, tolerated, illegal: IVS market value definition and the “legally permissible”

- Sølve Bærug, assoc.prof., Norwegian University of Life Sciences: NMBU
- TS08I: GIS and its Evolving Roll in Valuation and Standards
- Time: 6/1/2017 4:00:00 PM



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IVS Market value definition «reflects» legally permissible use

- IVS 104 (2017) Bases of Value
- Section 30.4:
 - The Market Value of an *asset* will **reflect its highest and best use** [...]
 - that is possible, **legally permissible** [...]
- Section 140.2:
 - The highest and best use **must be** [...] **legally allowed** [...]



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What is the market value, according to the IVS definition, of a radar detector which I can legally sell, at a probable price of EUR 10?





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Radar detector is (Finland, Norway) ...

- Legal to own, sell, and buy
- **Illegal to use**
- “Legally allowed” / “permissible” HBU?
- What is the IVS Market value – which “reflects” the HBU?



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When buying, would I *only* consider «legally permissible» uses?
Always drive according to speed limits?
Always park legally?

Free Supercharging	Free Supercharging	Free Supercharging
		
85	85	85
85 kWh Battery Rear Wheel Drive	85 kWh Battery Rear Wheel Drive	85 kWh Battery Rear Wheel Drive
\$49,000 42,168 miles	\$50,000 43,592 miles	\$50,500 25,679 miles
 19" wheels	 19" wheels	 19" wheels



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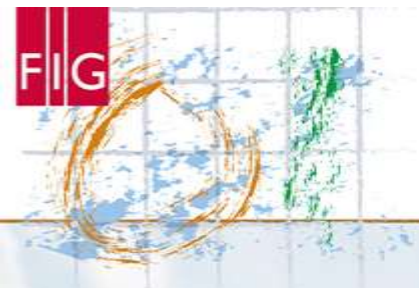


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What is “legally permissible” might be unclear

- Informal property markets in a squatter area
- Not quite legal renting out the property (price, quality of the property)
- Airbnb without proper tax payments

- Such uses are reflected in the property prices!



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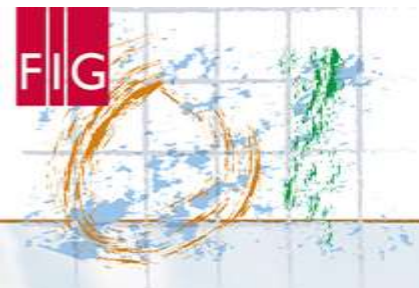


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Not quite “permissible” use is frequently “tolerated”

- Not permissible all-year living in a second home
- Parking the car at a location which is not “permitted”



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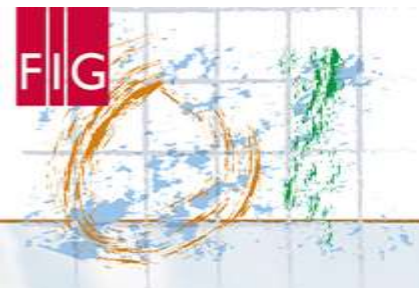


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There are illegal uses which the authorities *cannot* prevent

- No effective instruments of policing
- Not sufficient resources
- Local officers might not act on illegalities



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Practical valuation: The comparable sales problem

- Comparable sales prices are influenced by potential illegal use
- The valuer can hardly check the *intentions* of the buyers of comparables
- Probably often leads to a slight violation of a “legally permissible”-requirement



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Zoned as a permanent home, illegally used as a second home

TAMBURBAKKEN 10, 1440 DRØBAK

GNr: 86 BNr: 200 FNr: 0 SNr: 0 Kommune: 215 FROGN Grunnkrets: DRØBAK SENTRUM NORD

Selveier Enebolig

Selveier tomt	224 m ²
Byggeår	1630
BOA/P-rom	64
BRA	65
BTA	73
Antall etasjer	
Antall soverom	2

etakst	
Offentlig transport:	< 150m
Barnehager <3km:	4
Dagligvare	< 100m
Barnefam. i gr.krets:	19%
Verdiestimat	



Registrert	Solgt	Tinglyst	Pris	Prisant.	Verditakst	Fellesgjeld	m ² -pris	Oms.hast.	Megler	
22.08.2014	25.08.2014	02.10.2014	4 050 000	3 950 000	3 950 000		63 281	3 d	Foss & Co Eiendomsmegling Drøbak	FINN
04.08.2004	17.01.2005	06.06.2005	2 600 000	2 700 000			40 625	166 d	Eie eiendomsmegling, Asker	FINN



Buyer intended to use the dwelling *illegally*, as a second home



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If a property legally transacts at estimated EUR 100 000

- What relevance should the *intention* of any illegal use have in the IVS market value definition?
- The *actual* market price is the relevant one for...
 - The market (buyers and sellers)
 - Financial institutions (as collateral)
 - The authorities (basis for property taxes, stamp duty etc.)



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So, where potential for *not* "legally permissible" use...

1. "Legally permissible" will render the valuer without proper comparables
 2. "Legally permissible" will render the IVS market value definition irrelevant for most purposes and actors
- As a valuer: Avoid a strict interpretation of the IVS "legally permissible"
 - The IVSC should reconsider the HBU/"legally permissible"-part of the standards



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