Improving the efficiency of cadastral valuation processes: the value of real estate continuously updated.

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Main task of the Spanish Cadastre is to describe the real estates and to give them a value.

- **Real Estate Identification data:**
  - cadastral reference, province, municipality, addresses or location.

- **Juridical data of real estate:**
  - Titleholders’ name and national identity number, addresses of titleholders and the notification address, date of acquisition and rights data....

- **Physical data of real estate:**
  - land area, representation of the Buildings (even with the description of every floor) buildings area, class of crops, conservation status of the constructions, use (legal and actual one), construction typology, year of construction.....

**Economic data of the real estates:**
- value of land, value of construction and cadastral value, criteria and valuating module, real estate taxable value, exemptions and benefits.
Main task of the Spanish Cadastre is to describe the real estates and to give them a value.

The valuation method of the Spanish cadastre for the massive valuation of the real estate is very much accepted by the different agents and citizens.

These values are the basis for the RECURRENT real estate tax, that is the main income of the Spanish municipalities,

14.300 Millones de Euros

cadastral value, according to the cadastre law, cannot exceed the market value
Currently Cadastral Value around 50% of market value
Cadastral Values: Reference for Spanish Public Administration.

The cadastral value is an administrative value, and it is the basis for or it is taken as a reference, in relation to certain actions of the Public Administrations:

From a tax view:
- Recurrent Property Tax,
- Income Tax,
- Wealth Tax
- Tax on the Increase in Value of Urban Land,
- others.

From a non-tax view:
- expropriation,
- urban assessments,
- certain types of aids,
- scholarships and grants, etc.

Values are accepted by society and are very much used
Methodology for the massive valuation

The methodology is determined by law

the cadastral value must comply with the following basic requisites:

- it must be fair,
- objective,
- and directly related to the market.

The methodology is based in the use of

the descriptive data of the properties collected in the cadastre and

a set of valuation rules that are consolidated over time.

The cadastral value of real estate is composed

of the value of the land + the value of the buildings
The cadastral value for each property is determined objectively

- From the data in the Real Estate Cadastre.

Physical data of real estate:
- land surface,
- buildings surface,
- conservation status of the constructions,
- use (legal and actual one),
- typology,
- year of construction.....

Market Study

With reference to the market
Valuation rules,

- Transparent methodology:
  - Publication of value maps
  - Publication of the rules

- Universal: all properties must be valued

- Tributary justice: the property value must be a valid index of the economic capacity of the citizens

- Central Government, Ministry of Finance an Public Administration: ensure coordination in values.

- Of course it is about a massive computerized valuation and not a punctual taxation
Cadastral Law defines the **Collective Assessment Procedure**

- **This procedure permits** to assess new values for all property of the municipality.

- **To initiate this procedure the City Council** of the municipality must ask it to the cadastre, because:
  - substantial differences between cadastral values and current market values
  - modification of urban planning
  - or other especial circumstances

- **The period between collective assessment shall be always inferior to 10 years**

- **Collective assessment procedures requires the acceptance by the City council** of the criteria, assessment modules and other necessary elements to carry out the determination of the property value of each property.

- **Cadastral values resulting from these procedures are by law protected data and has to be individually notify** to the cadastral holders in order to be effective on 1 January of the following year.
Therefore the massive valuation procedure is complex, expensive and subject to the political situation in each municipality and cannot be done with the desired frequency.
The obtained cadastral values of the properties follow pretty well the market in price stability scenarios but the system reveals itself as inadequate in scenarios of high rises or descents of value in the absence of agile mechanisms of updating the value.
As OECD and European Commission claim, property tax reforms are badly accepted by society. How to reform without changing what it is in the law and currently very well accepted by society?

The methodology has to be transparent and very much understandable by citizens as it is now.

To avoid these problems, the Spanish cadastre is defining a new methodology that allows to define annually for each property of all municipalities a reference value. The reference value will be the limit of the cadastral value, which according to the cadastre law, cannot exceed the market value.
The determination will be carried out by means of the following bases:

1. Consolidation of a cadastral observatory of the real estate market.
2. Realization of maps of value of the land.
3. Application of criteria of valuation contained in the technical norm.
4. Annual coordination.
1. Consolidation of a cadastral observatory of the real estate market.

**SOURCES OF THE REAL ESTATE MARKET:**
- Deed Values (Main source)
- Mortgage Valuations
- Market offers (asked prices)
- Specific Market Studies
- Regional and local Governments
- Sectorial studies

Very good tools for the market study
2. Realization of maps of value of the land.

In these maps there are represented delimited zones of the territory that contain homogeneous values of the land as its use and they allow assigning the location variable to the whole territory in a graphic and intuitive form.

• These maps will evolve to represent areas with homogeneous sales value, according to the most representative property product in them
Product Type

*most representative property product of a zone, according to the use and predominant typology*

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*From the **product type** of each zone, the **reference value module** will be obtained, as the most probable price of sale of the property type in that zone, calculated statistically of the values of the purchase-sales of the market.*

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Calculated by the IT tools

0112: Collective housing in closed block.
5: Category 5 (medium-low)
1963: year of construction
102: Surface

1.805 €/m²
3. Application of criteria of valuation contained in the technical norm (as the law obliged)

Currently we have developed a complex set of valuation rules that are consolidated over time.

Now we are trying to simplify them in a single and homogeneous norm with criteria of simplification with respect to the current norms.

Applyig the rules

The reference value of each property is calculated from the reference value module of the representative type property of the zone, and corrected according to the differences in its physical characteristics.
4. Annual coordination for all the country.

Currently of the basic modules for land and construction assigned to each municipality on the basis of the dynamic of the real estate market of each of them. These modules where the base for the application of the rules of valuation when in a municipality a Collective Assessment Procedure was done.

In the new system the reference values modules are going to be coordinated too.

Annually the Budget Law will update the amounts of the reference value modules. These updates are moved immediately to the individualized reference values and in this way every real estate will have an update reference value every year, what was not possible before.
The way that the municipalities will use these annual updated reference values for each property to real estate taxation is in discussion now.

Reference values will be available for different users and tax administrations, not only for municipalities

Also is in discussion the way to **publicity these values**.

Currently values is a protected data and after a collective assessment procedure the values of each real estate, by law obligation, where notified individually.

Reference values will be more open and transparent, at least the reference value module for the product type of each zone.
Conclusions:

Spanish Cadastre is now able to offer a **Reference Value** for all the real estates.

- **It is Market-referenced value** and it is **sustainable** even in a changing real estate market scenario.
- **It is agile** and doesn’t depend of the municipal councils decision.

This is possible because the Spanish cadastre has the **data**, the capacitated **staff** and **now has developed IT tools** “tailor made” for it.

The **publicity** of the reference values increase the **transparency** and legal certainty of the real estate market helping to prevent phenomena as housing bubble..... (we hope)