

MSc Real Estate

**Will COVID-19 change the
nature of property valuation?**

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“The process of evaluating the value of any given piece of property is often misunderstood.

Buyers and sellers can easily access rough estimates of a property’s value through online platforms. However, these estimates are normally simply derived from previously sold real estate of the same size in the same area. There is little consideration of the individual property’s specific features or quality, let alone broader market analysis.

Depending on the type of valuation, land value, building costs, sales comparisons and income capitalisation are all integral to determining the right market value of a piece of property or land. As such, organisations such as the Royal Institution of Chartered Surveyors (RICS) provide a vital function in giving qualifications to surveyors who understand the complexity of this process.

However, COVID-19 has thrown a proverbial spanner in the works of the surveying industry.

Social distancing requirements have made it increasingly difficult for property professionals to access properties and conduct thorough valuations. Not only has this forced such professionals to rely on “virtual valuations”; but the shifting demands of businesses, renters and buyers during COVID-19 risk impacting the accuracy of valuations conducted pre-pandemic.

THE PROS AND CONS OF VIRTUAL VALUATIONS

Virtual valuations have become a necessity in the era of COVID. Research conducted by property listing site Zoopla in June showed that only 2% of buyers and sellers would be happy to have their properties valued in-person. As a result, the number of virtual valuations has increased by 90%.

By the owner giving a real-time tour of their property to an agent or valuer via video call, professionals can determine the general condition and size of the property in question. Though not as precise as in-person valuations, such compromise allows for both agents and lenders to move forward with the necessary tasks involved in a transaction.

However, there are drawbacks. Poor lighting can hide various issues regarding a property’s condition, and camera lenses can distort our perspective of space and size. The onus will also be on the camera operator, who – if they are the owner – may wish to hide certain aspects of their property from the surveyor in order to secure a higher valuation.

Regardless, much of the data that will inform a valuation will still be accessible whatever the outcome of the virtual tour. Through floor plans and analysing the sales of comparable properties in the area, much of the crucial work can be accomplished with little to no information from the seller. So, in general, there is no reason to doubt the legitimacy of virtual valuations. Although they will never allow for the same level of understanding as in-person valuations; they represent a crucial tool in keeping the UK’s property sector moving throughout the novel coronavirus pandemic. There is good reason to expect them to remain in the years to come, too, when time or logistical constraints render a physical visit difficult.

CHANGING DEMANDS, CHANGING VALUES

As mentioned above, social trends have been radically altered by COVID-19. And in the property sector, shifting demands will have an impact on valuations.

For example, the shift towards remote working and the social distancing issues regarding in-person socialisation mean that people are spending much more time in the homes. As a result, many buyers and renters are now seeking larger, more spacious homes from which to work from.

This was confirmed by estate agents Dexters’ July survey, which asked buyers what their “non-negotiable” demands were when it comes to real estate. The new top requirements in the age of COVID were a spare room that can be converted into a home office and, secondly, outside space such as a balcony, terrace, or garden.

Despite recent positive news regarding COVID-19 vaccine development, it is likely that working from home will remain the norm for a majority of professionals in the years to come. Unshackled from the grind of the daily commute, suburban and rural properties further afield from one’s employer will likely increase in desirability among newly homebound employees.

These trends will undoubtedly affect property valuations. Of course, a key part of the technical training required to be certified in valuing real estate is understanding how the real estate market is constantly shifting, and how this may affect the accurate value of any given piece of land or real estate.

In the face of such notable change, the core traditional training that surveyors must undergo is actually more important than ever. Only those equipped with the knowledge and wisdom needed to adapt to sudden property market shifts can continue to accurately value properties for the foreseeable future.

Mark Shepherd is the course director for the University of Manchester’s blended online MSc Real Estate course. Covering valuations and appraisals, development, management, and investment, the two-year Masters is designed to help people get into and move up within the world of real estate, providing students with an in-depth understanding of how the sector functions and the fundamentals that govern it.



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