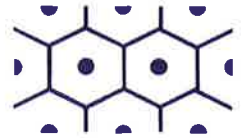


newsletter



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Update

Susan Helpard, B. Comm., joined our firm at the beginning of May. Susan is a recent Saint Mary's University graduate and is presently training in our Residential Appraisal Department.

Compuval

In the Beginning



Compuval, "Computer Assisted Valuations" was conceived some seven years ago. It was then little more than a twinkle in the eye of its perceiver, Mike Turner. Introduced to the computer as a valuation tool whilst taking a post graduate degree course, he has since pursued the idea with the enthusiasm and doggedness which drives the rest of us (and, we suspect, him) to distraction. This enthusiasm for the computer, kindled then, has grown over the years. The intervening years since 1971 have been used to identify suitable real estate software in Canada, the U.S.A. and the United Kingdom. Real Estate programs are running in these countries under a miscellaneous heterogeneity of government and private bodies. Literature outlining the successes and failures of the efforts has been studied and, whenever possible, the people have been contacted.

However, as is often the case, Mike's enthusiasm is outmatched only by his lack of financial resources and it was only last year, with the introduction of the low cost Radio Shack's TRS 80 and Commodore's PET microcomputers that the goal appeared to be financially realizable. Over the years we have gravitated from the use of simple calculators to the Texas Instrument's 51A, with statistical functions such as linear regression hard wired in; to TI's programable machines. The new microcomputers appeared to be the penultimate step. However, eager perusal of American magazines such as Byte and Interface Age indicated there was one large snag. Software development was not keeping pace with the hardware. We could buy a Radio Shack TRS 80 with screen printer and floppy disk system for \$6,000, but then we had to start writing the software. The cost of the latter was going to far exceed the cost of the hardware. There was the question, too, of reliability.

The machines were relatively new and we preferred not to be the guinea pig. There was the point, as well, that computer hardware was falling in price by 20% per year.

There was the Word

A meeting with Peter Mason, Dymaxion Research Ltd., whilst pursuing the idea of purchasing Digital's microcomputer, solved our problem. The ebullient Peter Mason convinced us that it made more sense to buy a printer terminal and initially time share on Dymaxion's Digital PDP11/70 computer. That way we would have immediate access to their statistical and business software and be in partial operation almost immediately. It appears to be a fortuitous choice. There is in existence a library of real estate software which is machine compatible.

Some months earlier we had set in process the lengthy procedure of registering the name and logo "Compuval" as a Canadian Trade Mark. Three or four months previously we had registered it in Nova Scotia as a business name.

How we hope Compuval will Work

We will be using the computer as an aid in the valuation process. It has always been our basic philosophy that, although real estate appraisal is an art rather than a science, there should be more of the latter and less of the former. Indeed, we think the expression is often an excuse to mask the pitifully inadequate techniques that are sometimes available to measure property value. In our own work we have developed the concept that the property value estimate should be broken down into two parts, that which can be ascertained with accuracy and the part that can't. The overall estimate of value may be no more accurate but, by approaching it this way, we identify the portion of the property value which can, and cannot, be measured with accuracy. However, we have now reached the limit of capability using electronic calculators. The computer will allow us to expand the concept well beyond our present horizon. Often with property valuation it is more important to know one's probability of being correct within a range than to attempt, fruitlessly, to pinpoint a particular figure. The computer will enable us to further quantify this probability, as well as increasing the probability itself.

The computer will also speed up the mechanical process of valuation and thus increase the number of ways we can look at the property value. Today, we regularly use statistical techniques such as linear regression to investigate property price movements because the program is hard wired into our calculators. Five years ago, we would not have considered it because it required a time consuming, and therefore costly, exercise. The computer will allow us to use multiple regression. We will be able to consider the value of a parcel of land, for example, in terms of its size, location, valuation date and buyer motivation. We will be able to process the cash flow of an income producing property more readily and calculate the internal rate of return under a variety of assumptions.

We hope, too, that we will be able to value property directly with the aid of the computer. At the moment we are running, on a trial basis, a program for valuing single family homes. This program supplements, rather than supersedes, the appraiser's judgment. If it works, it will ensure that the appraisals are more accurate and, dare we say it, less costly.

We'll keep you posted; exciting times ahead!