



PROPERTY VALUATION

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#03

Residential Property Value: from European rules to professional practice



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Editor's note:

This article's novel approach to residential mortgage valuation under the CRR and EVS was first presented by the authors at the 8th edition of "Property Valuations: Real Estate Culture and Market" in Mantua on 18 September 2025, organised by E-Valuations, the Italian association of independent property valuers (member of TEGOVA).

The historical and regulatory perspective (part 1) and the challenges for valuers in implementing the approach (part 3) are the work of **Dr. Angelo Donato Berloco**, President of E-Valuations.

The approach itself is presented (part 2) by its lead developer, **Mauro Iacobini**, Past National Head of Appraisal Services at the Italian Revenue Agency and lecturer in property appraisal.

Introduction

Regulation (EU) 2024/1623 (the Capital Requirements Regulation, CRR) and European Valuation Standards (EVS) 2025 are a decisive step towards a common methodology for determining the prudential value of properties used as collateral for bank loans.

Under the CRR, the concept of 'Property Value' and its associated 'prudently conservative valuation criteria' emerge as a key reference for European valuers, who are expected to combine technical rigour, prudence and market forecasting ability.

This article charts a pathway from European regulation to professional practice, with a particular focus on **Residential Property Value (RPV)**, proposing an operating model exclusively for residential valuation and reflecting on various cultural factors in the development of the valuer's role in Europe.

1. Property Value: from EVGN 2 to operating models

Recent history taught us the hard way that property valuation is more than just a secondary technical exercise.

The subprime mortgage crisis of 2008 revealed what happens when a financial system becomes detached from reality. It became clear that the absence of prudent, independent and realistic valuations can have a domino effect, bringing down banks, investors, real estate markets and the entire economy, harming households, businesses and governments. The lesson is clear: without a proper valuation culture, mortgage lending can become a systemic risk.

Europe now has an effective antidote: Property Value, a compass for lending and a benchmark for financial stability.

EVS 2025 provides a harmonised technical framework enabling valuers to meet the CRR's requirements: EVGN 2 "Valuation for mortgage lending: prudently conservative valuation criteria" sets down clear methodological principles for determining Property Value, an essential yardstick for the banking sector and risk management.

Property Value differs from Market Value, which represents the most likely exchange price under ordinary

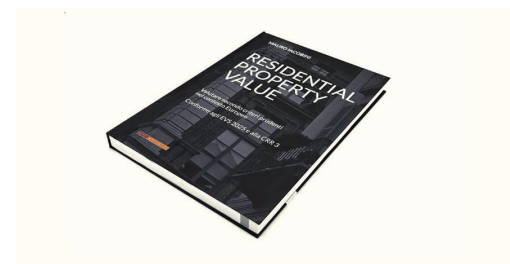
market conditions. By contrast, Property Value addresses a broader prudential question – is that Market Value sustainable over the entire life of the loan? "This radically alters the valuer's position from someone who provides a snapshot of the market to an analyst able to predict long-term risks and trends."¹

How do we transition from theory to practice in the case of Property Value? One way is the 'STIMATRIX Model'. Though developed for the Italian residential sector, its basic features are adaptable to other European valuation cultures.

2. A guide to Residential Property Value (RPV)

The model is designed both for expert valuers and anyone seeking to align themselves with the new EU rules and EVS, and is described at length in the publication "Residential Property Value – STIMATRIX 2025"². The text proposes a step-by-step, transparent (white box) approach that guides the valuer from Market Value to RPV through a logical, verifiable process free of any arbitrary reductions (subjective haircuts).

The proposed methodology is based on verifiable quantitative tools ensuring technical rigour, compliance with CRR and EVS and the means to review the model, as opposed to simply black box.



Residential Property Value - STIMATRIX 2025

STIMATRIX srl is an Italian company specialised in technologies for real estate valuation. It produces the first Italian software fully compliant with EVS and Italian standards and credit sector guidelines.

The company positions itself as a proptech partner within the national valuation ecosystem, offering training, books, software, web apps, big data and professional expertise to technicians, real estate agents, consulting firms, banks, leasing companies, public entities and developers. With over 15 years of experience and a community of thousands of professionals, STIMATRIX develops solutions based on the methodologies and works of Prof. Marco Simonotti, a leading figure in the Italian real estate valuation field.

¹ TEGOVA Chairman Paulo Barros Trindade at the Mantua conference

² In Italian

The model is founded on two key pillars: quantitative analysis and Property Value forecasting, and ESG and regional risk assessment.

A. Quantitative analysis and Property Value forecasting

Identification and analysis of the regulatory sources that govern Property Value is followed by special statistical data analysis techniques that were chosen in order to comply with the prudential criteria set out in EU law and guidance. The aims of the statistical analysis are:

- ▶ to exclude growth forecasts (if property prices are rising, the valuer should question whether this trend is actually sustainable during the mortgage repayment period);
- ▶ to take into account the market cycle (where values have peaked, more realistic and conservative scenarios should be envisaged).

By analysing the historical series of property prices and using linear, multiple regressions and autoregressive integrated moving average (ARIMA) models, this method can be used to prudently estimate whether the market value is sustainable.

For the data used for the statistical analysis, the Osservatorio del Mercato Immobiliare (Italian Real Estate Market Observatory – OMI, part of the Italian Revenue Agency) provides half-yearly house price data for “OMI zones”, or regions with homogeneous property values.

This valuable dataset – recognised by the Testo Unico Bancario (Italian Consolidated Banking Act) – can be used to analyse price trends at a local level. House prices can then be compared with the principal outstanding on a 20-year mortgage, for example.

The process essentially involves a comparison between the loan principal outstanding (calculated on the basis of a predetermined Market Value) and the lower end of the forecast ranges for house prices over the next five years, calculated at a local level using the above-mentioned econometric tools.

This method’s conservative approach is justified by the fact that, to determine overall bank risk, the CRR provides for a low residential risk weight of 20% for a bank exposure of up to 55% of the Market Value. However, by adjusting the calculation parameters, all the various permutations of Market Value, Loan to Value and other parameters can be taken into account in the calculation model.

B. ESG and regional risk assessment

In addition to a prudent approach to aspects related to the local property market cycle, the model considers the principal risk factors (climatic, seismic, flood, landslide and transition risks), again using data from public sources.

For each type of risk, three key parameters are analysed: **site hazards, vulnerability of the building structure and economic exposure.**

The aim of the model is to quantitatively assess the potential impact of adverse events on the Property Value and thus on the stability of the collateral value, while simplifying the task for the valuer.

Readily available information sources are used wherever possible, together with any research helping to determine the hypothetical adverse impact on the property in question (both in terms of the costs of restoring the efficiency of the property and the probability of the event in relation to the duration of the bank exposure).

To quantify the potential impact of the various physical risks in monetary terms using the three key parameters (hazards, vulnerability, economic exposure) and to ensure that the model is applicable for individual independent valuers, there is a range of verifiable public sources from which to obtain the data to be processed on a case-by-case basis. For example, data from the OMI, the Istituto Nazionale di Geofisica e Vulcanologia (National Institute of Geophysics and Volcanology - INGV) and the Istituto Superiore per la Protezione e la Ricerca Ambientale (Institute for Environmental Protection and Research - ISPRA).

The theoretical discussion at the Mantua conference was accompanied by seven real-life case studies from different Italian regions, providing a step-by-step illustration of the method's practical application. In addition, the STIMATRIX team developed a software application that translates the model into a digital operating flow: the tool assists the valuer in calculating the RPV, speeding up the process without encroaching on the expert's role and professional accountability.

Operating model for determining Residential Property Value

1. Practice
2. Location
3. Cadastral data
4. Construction features
5. Dimensional and morphological characteristics
6. Risk parameters
7. Economic and appraisal data
8. Financial parameters of the mortgage
9. Sustainability indicators
10. Results

Residential Property Value		
Market Value		Amount
Market Value of the property		250.000,00 €
Sustainability	Percentage incidence	Amount
<input checked="" type="checkbox"/> Correction for sustainability over time	0,00 %	0,00 €
Physical risk / transition	Percentage incidence	Amount
<input checked="" type="checkbox"/> Seismic risk	1,52%	3.803,00 €
<input checked="" type="checkbox"/> Hydraulic risk	7,68%	19.200 €
<input checked="" type="checkbox"/> Risk of landslides	0,00 %	0,00 €
<input checked="" type="checkbox"/> Transition risk	1,80%	4.500,00 €
Property Value	11,00%	222.497,00 €

In conclusion, the Property Value of the property located in Mantua, via Pisacane is 222.497,00 € (223.000,00 € in round figure), with a final reduction of 10,80% of the Market Value.

A practical example: if an apartment is valued at € 250,000 during a period of market growth, the Property Value could be estimated at € 223,000 to reflect the risk that its value may fall in future. It is not a case of arbitrarily reducing the value, but of encouraging a prudent approach to preserve the integrity of the credit system and economic stability in general.

Using the Market Value as a starting point, the application considers the entire or residual term of the bank exposure secured by the collateral, its location, property characteristics and the various risk profiles. The application then guides the valuer through each step of the RPV appraisal.

The software greatly facilitates the valuer's task; it does not replace valuers, but enables them to adjust those parameters that can only reasonably be set after the obligatory and essential fact-finding process (carried out both during property inspection and desktop analysis).

Going forward, a collaboration is under way with the **University of Pisa** to incorporate **artificial intelligence** algorithms into the RPV model. The aim is to make the appraisal process even more predictive, efficient and aligned with the new requirements of the credit market.

3. The valuer's perspective: the next challenge is expertise

During the E-Valuations conference in Mantua, it became clear that Property Value is a burning issue for Italian and European property valuers. Yet although the "what" and "why" of Property Value have been clarified, the real question for professionals is still "So how do I prepare?".

There is no magic formula, just strategic investment in one's own valuation skills.

The new paradigm requires a structural update of professional know-how, since:

“The role of the valuer is evolving – from simple technical executor to strategic property risk consultant.”

- ▶ **The EU is setting the rules** – CRR and EVS 2025 define a common binding framework that ensures competitive equality between professionals from different Member States.
- ▶ **Adaptation to national markets is essential** – models must take account of local specificities and real estate segments.
- ▶ **The residential sector is crucial, systemic** – housing and mortgages directly affect the real economy.
- ▶ **The role of the valuer is evolving** – from simple technical executor to strategic property risk consultant.

In Mantua, various contributions anticipated this debate: the **Codice delle Valutazioni Immobiliari**, Tecnoborsa's Italian property valuation standard, the **ABI Guidelines** for the credit sector, **Assoimmobiliare's Quaderno 22** and – specifically for the agricultural sector – the publication by **CONAF** (National Association of Agronomists and Forestry Experts, member of TEGOVA) introducing the concept of **Agricultural Property Value**.

These publications all point to a cultural shift: Property Value is not only a technical parameter, but a professional paradigm that is reshaping the modern-day role of the valuer.



CONAF's contribution to Agricultural Property Value

The future of the valuation profession rides on the acquisition of interdisciplinary skills:

- ▶ **appraisal know-how, econometrics and statistics**, understanding and applying predictive models such as ARIMA and justifying the sustainability of the value over time;
- ▶ **multifactor risk assessment**, combining data from different sources (seismic, hydrogeological, energy and transition-related) and translating them into prudential decisions;
- ▶ **technological literacy**, using digital and algorithmic tools that enhance professional judgment without replacing it.

The real challenge for Property Value is training: valuers who can stay up to date will cement their position as key figures in the European valuation and lending system, contributing to market stability, transparency and investor confidence.

Conclusion – Towards a common language for Property Value in Europe

The development of Property Value heralds a new era for European valuation: a shared technical language based on prudence, transparency and comparability.

Across the Union, valuers must now pursue a common goal: to develop harmonised knowledge and practice so that Property Value can be a source of reassurance for banks, supervisory authorities and the public.

Methodological convergence between European professionals is not just a regulatory objective, it's a cultural imperative that TEGOVA is pursuing in order to transform valuation from simple measurement into a tool for the stability and sustainability of the entire real estate economy.