

Automated Valuation Model

Providing real-time property valuations



As a lender, assessing the risks involved in mortgage lending, or lending where the applicant's home is used as collateral, can be time consuming, expensive and can result in lost business or reduced profit margins.

Experian can provide you with immediate access to an online property valuation, through its Automated Valuation Model (AVM), to enable you to react intelligently and instantaneously during the applicant's request.

The model provides instant property valuations with a clear supporting measure of confidence for the purposes of establishing capital value and/or expected rental yield, saving time and expense and allowing staff to focus their expertise on more complicated cases.

Key benefits

Make faster, more informed decisions

The Experian AVM enables you to make decisions on large proportions of lower risk borrowers in a matter of seconds – not only saving you time and money, but enhancing your customer service experience.

Reduce costs

Successful deployment of the model will cut down the need for physical inspections by a surveyor. There will always be some properties that require an inspection, either because of their uniqueness or due to recent improvements and extensions. However, the vast majority of mortgaged properties remain sufficiently homogeneous to justify the lower cost valuation generated by the model.

How it works

Experian has developed its Automated Valuation Model using years of modelling and analytical experience. The strength of the model is enhanced when combined with the vast array of property data to which we have access via our existing data sources and through our partnership with Rightmove – the UK's number one property website.

The Automated Valuation Model utilises an unrivalled set of data assets, comprising surveyor valuation records, estate agency property details and asking prices and information from HM Land Registry. Rightmove advertises property being sold by more than 90 percent of all UK estate agents, and the inclusion of Rightmove data in the model makes this the only AVM to contain internal and external property photographs.



The model uses two methods to value a property. These are:

Indexation model

- Separate property value indexes are built every month, based on postcode areas
- Separate indexes are then created within the postcode area for each property type – i.e. detached, terraced, semi-detached, purpose built flats, etc
- Each 'property type' index is then further subdivided into four value quartiles
- The index reflects the latest market trends using HM Land Registry and surveyors' data
- Properties are valued to the required date by indexing established known data points (e.g. sold prices and surveyors' valuations) from the past

Comparables model

- A specially developed algorithm searches out from the subject property to locate the nearest and most relevant comparable properties
- Comparable properties are allocated points based on their proximity to the subject property and their features
- The model displays a maximum of ten comparables and a minimum of four
- Comparable properties are weighted according to their points total
- The value and associated standard deviation of each chosen comparable property is combined to give an overall comparables based valuation

The results from the indexation and comparables models are combined to produce the overall valuation. Every valuation is given its own confidence rating to indicate how robust the valuation should be and to allow the lender to apply their own specific rules on acceptance of the valuation results.

Confidence ratings

Based on the number of data points, their consistency and how recent they are, the valuation is given a confidence rating in the form of a forecast standard deviation. A lower confidence rating does not necessarily mean that the valuation is inaccurate, it simply means that the model is less sure of the validity of the result based on the information available.

Using the service

Experian offers the AVM service through three key channels. These are:

- As an online tool
- Embedded within your existing origination system
- As a batch process

The online valuations are delivered in real time, via a dedicated website or an XML link within your origination platform. Users can access the Automated Valuation Model to carry out individual property valuations by entering the property address/postcode and as much

property attribute data as possible. A valuation is returned along with a confidence rating for that valuation. Where a sufficiently robust confidence level cannot be provided, no charge is made for the valuation.

Alternatively, our batch service can apply the same data and modelling of the online valuation to an entire portfolio. You will be asked to provide a file of property records containing specific data elements, which is then processed and returned with a valuation for each property, along with a confidence rating for the valuation.