

European Valuer



TEGoVA members in Italy bid to stabilise financial crisis, reports Silvia Cappelli



In the last two years, Italy has seen many developments in regulation which have affected the property market and specifically property valuations, increasing the role of TEGoVA – also thanks to

ASSOVIB's activities. The first development has been the take-up of the **Italian Banking Association (ABI)** guidelines, a self-regulatory protocol – to which ASSOVIB contributed – going in the direction of making the Italian property valuation market compliant with international and European standards. In the guidelines, a premier role is attributed to TEGoVA's European Valuation Standards (EVS). As a sign of this preference, REV (Recognised European Valuer) recognition is the only standard mentioned (alongside ISO 17024 accredited certification) through which valuers can demonstrate their competence and experience. EVS 2016 have been translated into Italian by ASSOVIB, together with the other Italian TEGoVA members. The text, in the mother language, will without doubt facilitate a larger adoption.

2016 is also marked by the transposition of the **Mortgage Credit Directive** into Italian legislation, confirming the pivotal role of property valuation at regulatory level.

The Mortgage Credit Directive came into effect in Italy with the **"Decreto legislativo n. 72"** and with the update of the Bank of Italy's **"Circolare 285"**. They both focused on valuers' competence and independence. This is very much in line with the mission of an ... *continued on page 2, column 1*

Serbia welcomes introduction of valuer licensing, as Danijela Ilić explains



Regulating the real estate valuation profession is not an easy task for any government and in the case of Serbia it took about three years to pass such a law. The first draft of the statute was prepared by a special

working group established by the Ministry of Finance, with help from USAID under the Business Enabling Project in Serbia. The National Association of Valuers of Serbia (NAVS) was also closely involved in the project.

The new statute, entitled **"Law on Real Estate Valuers"**, which was enacted by the

Serbian National Assembly at the end of last year, aims to harmonise local law with the requirement of EU Directive 2014/17 on residential mortgage loans, as a part of the country's EU accession negotiations. The new law requires the development of reliable national valuation standards, including an ethical code of practice. Undoubtedly such standards will be influenced by TEGoVA's European Valuation Standards (EVS 2016).

In providing for the licensing of property valuers, the new law strives to ensure financial stability and to address systemic risk in the banking system – in particular in the area of non-performing loans. The new statute recognises the main international professional valuers' organisations, highlighting TEGoVA, The Royal Institution of Chartered Surveyors (RICS) and The Appraisal Institute (AI), and their professional designations.

Thus, during a transitional period of up to 18 months, all valuers in Serbia holding an REV, MAI or RICS RegValuer designation, will be **"grandfathered"** into the new cadre of licensed valuers without the need to fulfil any additional requirements.

A valuer's licence may be issued to a candidate who holds a recognised university degree or post-graduate diploma and successfully completes professional training and a test – the latter organised by an accredited organisation. A candidate must also have at least three years of work experience in property valuation and finally pass a state licensing examination. A licence cannot be awarded to anyone sentenced for any crimes that make him/her unworthy of performing the duties of a valuer. The licence is issued for a period of three years and may be renewed every three years thereafter, subject to various conditions, including proof of undertaking continuing professional development (CPD). Before a licence is issued, the successful candidate must obtain professional indemnity ... *continued on page 2, column 3*

Welcome ...



One of the challenges faced when producing a journal that spans the valuation practice of 35 nations is balancing contributions to avoid them being dominated by a handful of 'usual suspects'!

Our first edition of 2017 highlights how that aim has on this occasion been achieved, with contributions from three European partners, coupled with a feature on a new project jointly owned by several more. There are still many examples of good practice to share and we want to hear from you, though, whether in the form of a major headline article, or a news item. Don't forget that we are also happy to accept contributions in any language and arrange translation. Contact me on jcroberts54@hotmail.com for further details.

John Roberts, Editor

association like ASSOVI, which brings representation independent from real estate finance and industry, required to guarantee transparency when dealing with institutions such as the Bank of Italy and the Italian Government. To comply with European and national standards, Italian banks often choose to outsource this important function to valuation companies that are able to demonstrate independence, competence, objectivity and transparency through organised structures. Our commitment is to guarantee that all ASSOVI members implement structured processes that provide added value to banks when it comes to demonstrating the independence and quality of valuations performed.

Competence and independence, together with compliance with European Valuation Standards, can contribute to improving the objectivity of valuations for new and existing loans, in a scenario where one of the most relevant issues for the financial system in Italy remains to cope with the banks' non-performing loans (NPL). These NPLs have reached the huge amount of 200bn Euro in Italian banks' financial accounts, around 8% of the credit portfolio. So the main effort of the system is currently to manage and reduce this "mountain". Accurate and objective property appraisals can contribute to sound credit management processes and reduce the possibility of non-performing outcomes.

To present government and authorities with concrete proposals to reduce the NPL problem, a specific working group has been established by the Italian Banking Association (ABI), ASSOVI, and other sector associations and professional orders, to mount an in-depth examination of the initiatives considered most suitable to increase the efficiency of NPL management, including real estate sales procedures, with a specific focus on property valuation.

In this scenario, to comply with valuation standards can contribute to improving the Italian market's financial stability. For this reason, ASSOVI is active both at national and at European level, through TEGoVA. More and more, TEGoVA is requested to provide speakers at Italian events, for example the extensive "RE Italy", recently held in Milan. This will also be a stage to present TEGoVA's next project, which is likely to have an important impact on the Italian market – new residential valuation standards that will be developed by the EVSB (European Valuation Standards Board). As ASSOVI Vice President, recently appointed to the EVSB, I will contribute to this project from the point of view of an association with a very extensive experience in residential valuations. ●

Silvia Cappelli is a TEGoVA Board Member, member of the European Valuation Standards Board and Vice President of the Italian Association of Property Valuation Companies ASSOVI.

Chairman's message



Dear colleagues,

Welcome to this New Year edition of European Valuer. This is also an opportunity for me to preview what lies ahead for TEGoVA in the next few months. The TEGoVA

Board will be meeting shortly to plan for the next European Valuation Conference on 21st April and the Spring Assembly on the next day, in Belgrade. The event will be hosted by the National Association of Valuers in Serbia (NAVS). A detailed programme will soon be published, but the Assembly will mark the end of the three year term of the existing Board and the election of a new Board from nominated representatives of TEGoVA's member associations.

The new TEGoVA Board will be tasked with expanding our activities still further, building on a solid membership base of 63 associations in 35 countries and having been bequeathed a new European Valuation Practice and Methodology Board (EVPMB), to be chaired by Philippe Guillerm, and a newly constituted European Valuation Standards Board (EVS). The latter, to be chaired by Michael Reinberg, will soon start work on the drafting of long-awaited standards for the valuation of residential property.

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Undoubtedly there will be much focus on developing TEGoVA's new Residential Valuer (TRV) designation and promoting our maturing Recognised European Valuer (REV) qualification. Valuation methodology issues will also be given more prominence this year.

As ever, our Secretariat in Brussels will be keeping a close eye on European legislative developments affecting our profession and responding to any threats (e.g. illegal use of Automated Valuation Models (AVMs)) through appropriate lobbying.

On behalf of the TEGoVA Board, thank you all for your continuing support for and contribution towards TEGoVA projects.

Wishing you a Happy and Prosperous New Year! ●

Krzysztof Grzesik REV is TEGoVA Chairman.

insurance. A licensed valuer is also required to become a member of an accredited valuation association in Serbia.

Given that NAVS is the oldest and most active valuation organisation in Serbia, it will most probably gain such accreditation from the Ministry of Finance. Indeed, NAVS is proud to have ensured that its **REV-designated members** are afforded a smooth, stress-free transition, as well as a privileged status in the Serbian community of valuers. As an REV awarding member, NAVS has been delivering valuer training and CPD programmes for seven years, to meet TEGoVA's Minimum Educational Requirements and REV status criteria. Also, the NAVS organisational structure enables it to monitor its members in terms of their fulfillment of CPD, ethical and professional insurance requirements.

The new law provides for the co-regulation of valuers, by the Ministry of Finance and accredited valuation organisations. The Ministry will be responsible for educating valuers and ensuring that licensed valuers comply with national valuation standards and professional ethics. This will enable relatively quick implementation of the regulatory system, the costs of which will be shared between the State and valuation organisations.

The law will regulate property valuations in the following areas:

- mortgage lending
- bankruptcy procedures
- sale of real estate in out-of-court settlement in accordance with the law governing mortgages.

However, it is expected that in practice, licensed valuers will be engaged also in valuation for financial reporting, valuation of properties in connection with enforcement proceedings and for tax and many other purposes. Serbia has recently adopted several laws to assist the transition of an emerging real estate market to a well organised mature one. Amongst them is a law supporting the creation of a property transaction database, managed by the Republic's Geodetic Authority. This already provides excellent support for the valuer's daily activities, especially in relation to the valuation of residential properties and agricultural land. The National Bank of Serbia has also prepared a database of appraised property values from valuation reports for mortgage loan purposes, including relevant sales/purchase data.

The new statute on the licensing of property valuers, as one of several recently enacted financial sector related laws, will undoubtedly improve access of business entities to finance and help to improve economic activity in Serbia. ●

Danijela Ilić is President of the National Association of Valuers of Serbia (NAVS), a member of the Ministry of Finance Valuer Licensing Working Group, a TEGoVA Board Member and member of the European Valuation Practice and Methodology Board.

Catherine Lyons highlights how the British law of precedence empowers judges to determine “true” value



A recent Court of Appeal decision in the UK has shed light on what circumstances must exist before a claimant can recover for a negligent valuation and what losses exactly are recoverable.

The case is the latest in a series of “over-valuation” claims arising out of commercial mortgage backed securities sold before the financial crash – and the outcomes seem to suggest that what the courts give on the one hand they take away in the other.

In the UK, a judge without any valuation experience can on the basis of conflicting evidence decide the “true” value of a property, whereas in most European jurisdictions a judge would only rely on the evidence of an independent court witness. The case is of interest because it involved the valuation of a property in Germany by a UK valuer, and because it defines a negligent valuation as one which is more or less than 15% of the true value determined by a judge.

The case of *Titan Europe 2006-3 plc v Colliers International UK plc (in liquidation)* was decided in November 2015 and could be interpreted as good news for valuers. The case arose out of Colliers’ preparation of a valuation of a commercial property in Germany in December 2005. Colliers valued the property at €135 million. On foot of that valuation, a loan of €110 million was advanced

by Credit Suisse to the owner of the property. Subsequently, the loan was securitised and transferred to Titan Europe 2006 Plc, a “special purpose vehicle”.

In the meantime, the property was leased to a tenant. The tenant became insolvent and vacated the property. Consequently, the owner of the property defaulted on the loan and became insolvent. The property was subsequently sold for €22.5 million.

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Titan issued proceedings against Colliers for negligence on the grounds that it had overvalued the property by almost €60 million. The English commercial court determined that the correct value of the property in 2005 was €103 million. Colliers’ valuation was over 15% above the court’s “correct” calculation and was therefore held to be negligent. The court awarded €32 million in damages, representing the difference between Colliers’ valuation and the court’s estimation.

On appeal, the valuer did not challenge

the commercial court’s finding that the permissible margin of error was +/- 15% but found the court’s valuation of the property was incorrect. The Court of Appeal gave weight to the fact that the property had been sold six months prior to Colliers’ valuation (a fact the commercial court did not appear to consider) which, together with evidence of upward market trends, resulted in the Court of Appeal determining that the true value of the property was in fact €118.3 million. This brought Colliers’ valuation within the 15% margin of error and was therefore not negligent.

The case is interesting in that it seems to allow for a significant margin of error in the valuation of large commercial properties of +/- 15%. This would seem to account for the often very bespoke nature of large scale commercial property and recognises that the valuation of such property is very far from an exact science. The decision is of course of UK origin and therefore has no effect in other jurisdictions. However, there is no reason to believe other courts would not follow it should a similar case arise in their jurisdiction. Negligence actions against valuers are rare here in Ireland, the most recent being a High Court decision in 2013, which although useful, did not give much judicial insight into the areas of margin of error or causation. ●

Catherine Lyons is an associate with the Dublin-based Leman Solicitor’s Litigation and Dispute Resolution Team.

The Appraisal Institute of Canada (AIC) and TEGoVA welcome the signature of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU

The Appraisal Institute of Canada (AIC) and The European Group of Valuers’ Associations (TEGoVA) applaud the Government of Canada, the European Council and the European Commission on the signing of the Comprehensive Economic and Trade Agreement between Canada and the European Union (CETA).

This historic agreement will enhance the existing agreement between AIC and TEGoVA, that mutually recognises the designations, standards and qualifications of the respective organisations’ members to complete quality real estate valuations. “By signing CETA, Canada and the EU have reached an unparalleled degree of economic and political integration. Going far beyond tariffs, CETA opens the way for Canada and the EU to dismantle barriers to the free movement of goods, services, capital and workers whilst

safeguarding the high social, consumer and environmental standards that characterise both parties,” states Dan Brewer, President of AIC.

AIC-designated appraisers – Accredited Appraiser Canadian Institute (AACI™) and the Canadian Residential Appraiser (CRA™) – are recognised on a par with their European counterparts – the TEGoVA Recognised European Valuer (REV) and TEGoVA Residential Valuer (TRV). Professionals with these designations provide reliable services within the financial and real estate industry as they offer unbiased opinions of value on all types of property within the scope of their professional practice.

“Today, CETA’s Chapter Eleven on Mutual Recognition of Professional Qualifications opens new possibilities for professional bodies, such as ours, to design and present to a Joint Committee of Canadian and EU authorities

a Mutual Recognition Agreement (MRA) that allows the service supplier to practice professional activities in the host jurisdiction, in accordance with the terms and conditions specified in the MRA,” adds TEGoVA Chairman Krzysztof Grzesik.

About AIC....

AIC is a leading real property valuation association with over 5,000 members across Canada and around the world. Established in 1938, the AIC works collaboratively with its ten provincial affiliated associations to grant the distinguished *Accredited Appraiser Canadian Institute (AACI)* and *Canadian Residential Appraiser (CRA)* designations. The AIC is a self-regulating organisation that is guided by a *Code of Conduct and Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*.

Richard Taylor describes the Resources for European Valuation Standards in Europe (REVASE) project

The European Group of Valuers' Associations (TEGoVA) has published European Valuation Standards ("The Blue Book") for a number of years – the seventh edition was published in May 2012 and the latest edition, EVS 2016, was finalised and published earlier this year, as readers of the European Valuer will be well aware. EVS 2016 is a professional practice manual which is effectively a summary of the accumulated knowledge and experience of European practice and valuation. However, it does not provide practical information on how to conduct a property valuation, nor does it provide associated training material.

Funding has been obtained from the **ErasmusPlus** programme of the European Commission to develop learning material which will be used both in a training context and as a guide for professional practice in the industry, in order to meet this need. It is intended that the project will develop:

- training modules to incorporate the newly developed standards
- training plans
- training needs analysis tools
- production material, including hard copy, DVD and web based material.

The following is planned as the result of the application:

- development of a general training manual and modules to support new EVS work, based on training modules produced by the partners in the project
- support for partner countries to undertake their own modifications to the material, to enable them to comply with local standards and requirements
- dissemination procedures and training sessions on EVS, using developed training modules and templates
- the development of an appropriate infrastructure to enable updating of the outputs from this project, thus ensuring sustainability into the future beyond the period of EU intervention
- consideration will be given to existing, new and proposed European Directives and other relevant legislation.

In the short term, it is expected that the project will make available to partners a comprehensive training resource pack which will enhance the understanding and the application of EVS. In the longer term, the pack will be available to each TEGoVA member, reaching a potential audience of over 140,000 individual practitioners.

However, the overriding objective is that the resource pack will give participants the knowledge and understanding of the application of EVS, which will improve their skills and competence as valuers, enhance the status of valuation as a profession and widen the base of career opportunities for valuers.

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The project will develop and enhance the overall understanding and application of EVS across the whole of Europe and the wider use of the standards will be an inevitable outcome of this wider understanding. This will in turn increase the number of policy areas in which the standards will become influential. This will be particularly evidenced in the property market, where a transnational approach for valuation is important to ensure consistent transacting of properties across borders.

Looking further ahead, the establishment of the standards will provide cross-border consistency in the practice and delivery of valuations of land and buildings which will assist the customer of the valuation process. ●

The REVASE partners are:

- Institute of Professional Auctioneers and Valuers (IPAV)
- Institute of Revenues Rating and Valuation (IRRV)
- Polish Federation of Valuers' Associations (PFVA)
- The European Group of Valuers' Associations (TEGoVA)
- Latvian Association of Property Appraisers (LIVA)

Richard Taylor is European consultant with the UK's Institute of Revenues Rating and Valuation.

Addendum – In our October edition, the caption for the second page photograph shows the newly certificated Netherlands REV valuers, not the TEGoVA Netherlands team. Apologies are offered by European Valuer.

To contribute to this journal, contact the Editor, John Roberts, on jcroberts54@hotmail.com



VALUATION BEYOND BORDERS
2017 INTERNATIONAL CONFERENCE

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