

# REV, Real Estate Professionals & the Investment Environment

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# Tegova and other valuer certifications

- **REV** is the status and designation assigned to practicing valuers by a **TEGoVA** Awarding Member Association, following assessment to ensure that individual applicants meet the necessary requirements. All Recognized European Valuers are members of TEGoVA and therefore must comply with the European Valuation Standards (**EVS**).
- The other similar designation, in Europe, MRICS, FRICS or AssocRICS is assigned by **RICS**, the valuation standards of which are described in the "RICS Valuation-Professional Standards 2014" (the "**Red Book**") and are in compliance with the International Valuation Standards (**IVS**) 2013, established by the International Valuation Standards Council (**IVSC**).

	TEGoVA	RICS
Membership acquisition	<ul style="list-style-type: none"> <li>• Minimum educational requirements and/or experience</li> <li>• TEGoVA recognizes local associations, which in turn conduct the assessment of the candidates</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum educational requirements and/or experience depending on the membership</li> <li>• RICS conducts directly the assessment</li> </ul>
Bases of value	Slight difference in Market Value definition, exactly same concept. All other value definitions are identical. Red Book has no reference to Mortgage Lending Value	
Valuation methodology	Although EVS 2012 do not include reference to the valuation methodology, the ones mentioned in EVS 2009 are the same as in the Red Book.	
Valuation reporting	The required minimum content of a valuation report is practically the same	
Code of conduct	Same principles set, including but not limited to integrity, professionalism, respect etc	
Valuer's qualifications	<ul style="list-style-type: none"> <li>• appropriate academic/vocational qualifications</li> <li>• sufficient local knowledge and experience in valuing real property in the location and category of the subject property</li> <li>• license as a valuer/membership of a professional association, if required by national legislation</li> <li>• compliance with ethical and relevant valuation standards</li> </ul>	

Note: comparison made between EVS 2012 and RICS valuation- professional standards 2014



# The role of the valuer in the marketplace

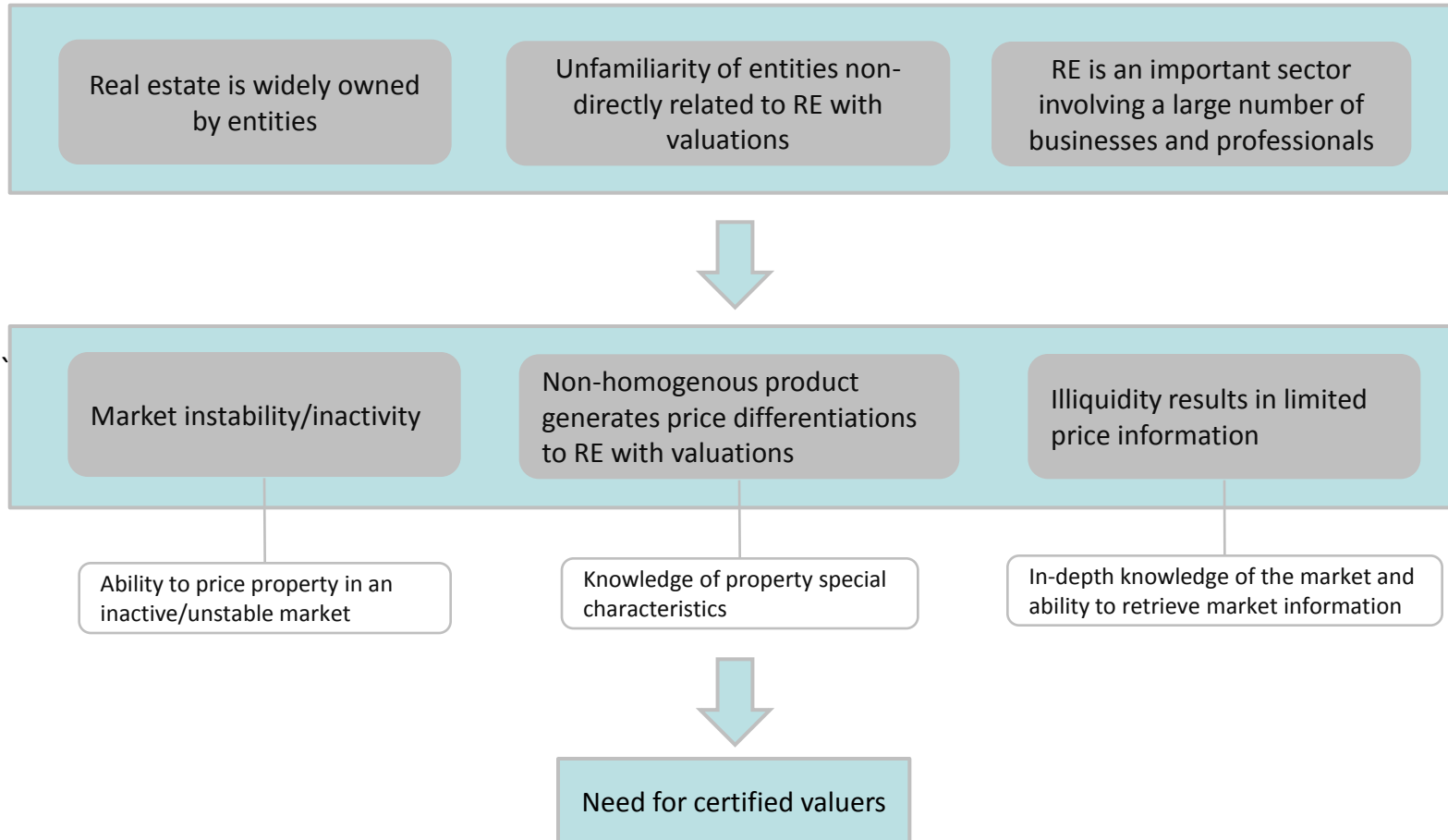
Valuers play a very useful role in the market, not only for entities directly related to real estate (developers, investors, etc), but also for entities having an indirect relationship with real estate property, such as financial institutions, property owners etc). The importance of the valuer lies in the fact that a quality valuation may result in increasing profit and downsizing risk.

## The added value of the certified valuer

- Real estate constitutes a non homogenous product, due the differentiation of its characteristics from one asset to another, which in turn brings about differences in property values. Therefore, the pricing of real estate requires knowledge of these special characteristics.
- Real property is a commodity traded less often and at significantly lower volumes compared to other commodities traded in the stock market. Its illiquidity implies that relevant price information is limited and not readily available and requires thorough research, as well as implementation of adjustments of the market data retrieved.
- Entities that are indirectly related to real estate are not familiar with the property market and therefore need someone with specialized knowledge and expertise.
- The pricing of real property becomes increasingly challenging during periods of economic instability, such as the one being experienced in Greece. In this context, valuation users need to rely on professionals who possess the ability to value property in an unstable, low activity market.
- Entities that for any reason need a valuation need to know that there are formally certified experts to whom they can address.

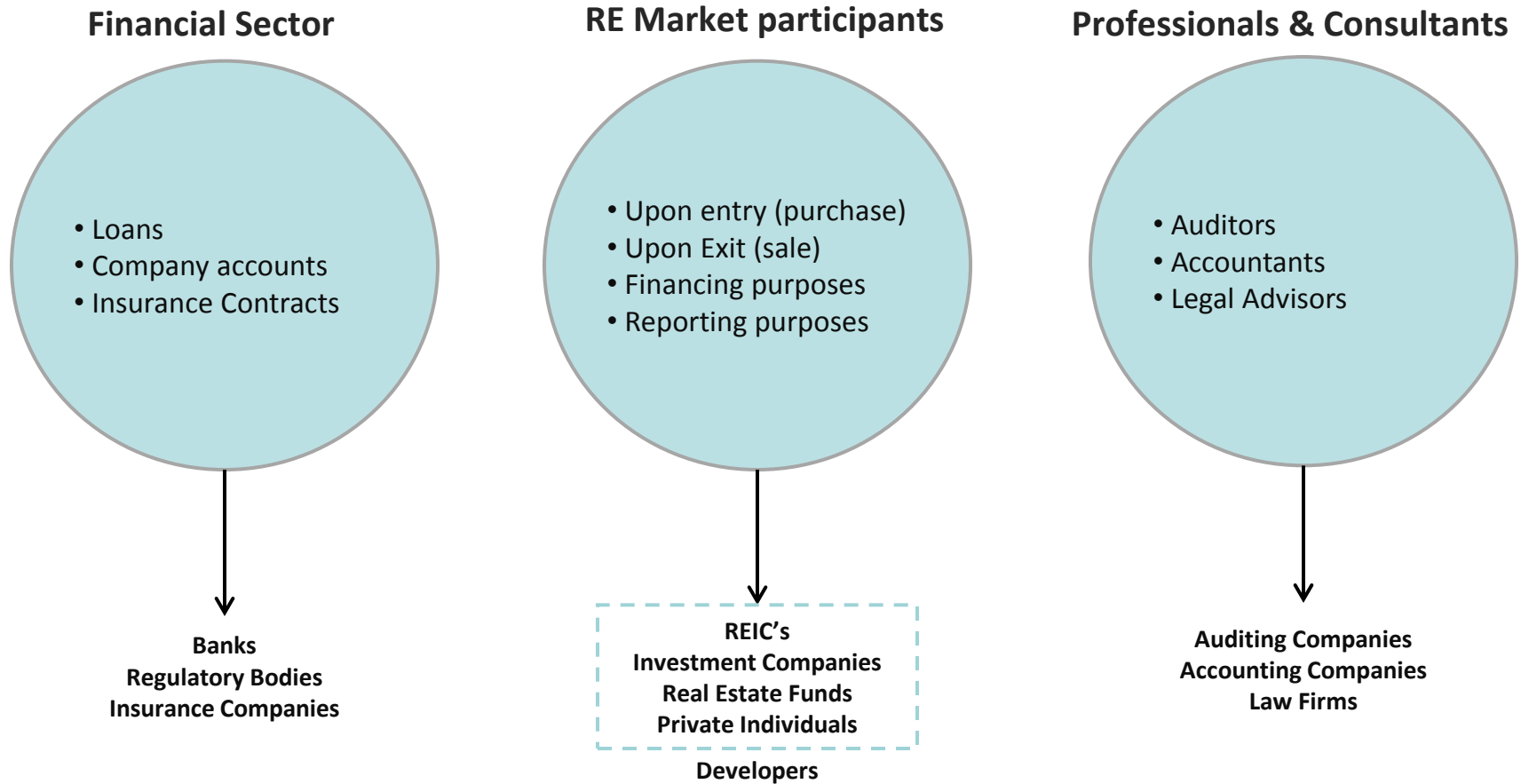


# The role of the valuer in the marketplace



# The role of the valuer in the marketplace

## Valuations' users and use per market sector



# The role of the valuer in the marketplace

## Real estate valuation users

### Real Estate Participants

Real estate investors by default invest in a product with low liquidity, which is not traded on a standardized market and a fixed price per unit. Each transaction is unique and entails a similar risk for both counterparties – a price risk. Sellers are wary of selling lower than they could, and buyers of buying higher than they should.

Thus, both parties need an expert's opinion on the pricing of the transaction!

### Financial Sector

Banks use Real Estate as a collateral for loans; in fact Real Estate is the often sought after collateral by Banks (apart from Cash and shares) as it is a tangible asset that the Bank can liquidate if needed. So it is important for both the Banks and their clients (loan takers) to agree to a fair price on Real Estate. A fair price, is a by definition a market price.

Thus, both parties need an expert's opinion on the market value of the Real Estate!

### For Professionals & Consultants

Professionals such as lawyers, accountants or auditors very often need to know the exact value of a Real Estate asset. The value of the Real Estate asset will be used for official reasons, for example in a legal procedure (courts) or for tax reasons.

The importance of the valuer who will perform the valuation is recognized by most Governments, in such an extent that they usually appoint qualifications for the valuers, or, produce lists of valuers who the State acknowledges as competent to perform a Real Estate valuation.



# REIT's in Greece

Greek REITs (known in Greece as REICs – Real Estate Investment Companies)

- Regulated under Law 2778/1999 (hereafter 'REIT law'), introduced in December 1999, and amended thereafter in 2002, 2007, 2013 and 2014.
- Greek REITs are licensed and monitored by the Hellenic Capital Markets Commission.
- **Legal form:** Societe Anonyme
- **Minimum capital requirement:** €25mns
- **Listing requirement:** Mandatory listing on the Athens Stock Exchange
- At least 80% of the total assets must consist of real estate
- No single property can exceed 25% of its total assets
- Real estate outside the EEA cannot exceed 20% of total real estate investments
- Maximum 75% LTV (with value being the REIT's total assets)
- Maximum 5% variation from valuation upon purchasing & disposing an asset
- **Minimum dividend distribution:** 50% of annual net profits
- **Corporate Income tax:** Exempt from corporate income tax. Investment and liquid assets taxed at 10%\*(ECB rate+1%)
- **CGT Tax/ RETT/ Dividend Tax:** Exempt
- **Property Tax:** Reduced rate in some taxes

Valuation needed

**Decisive Role in REIC's Business**

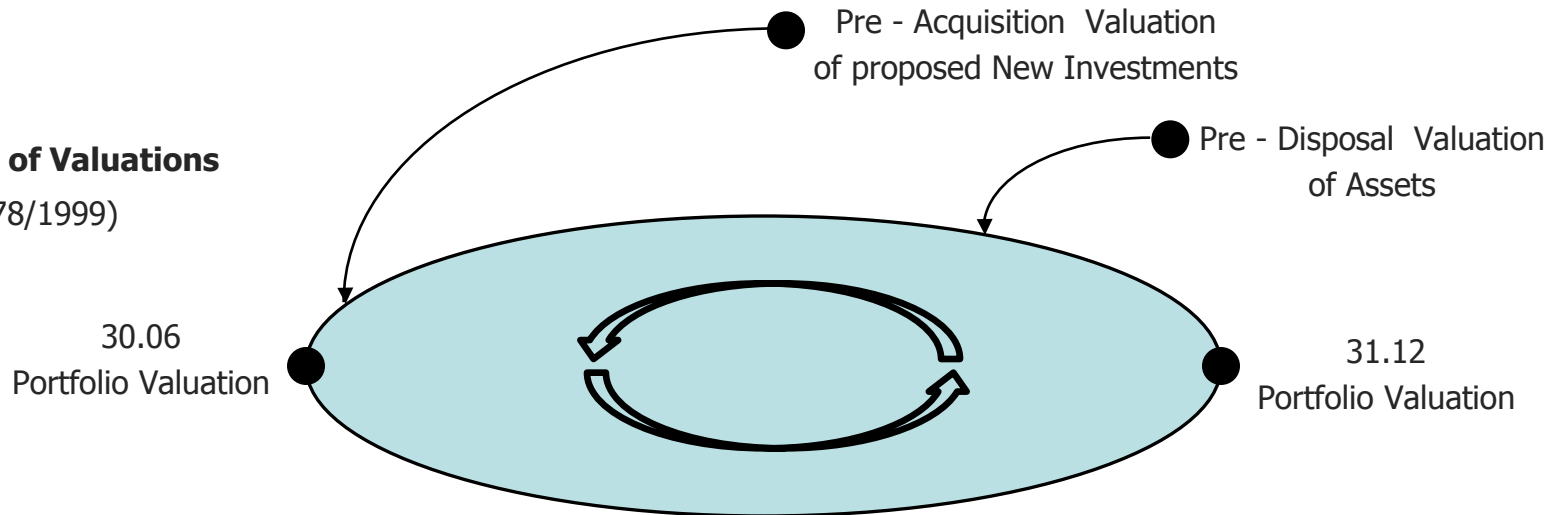




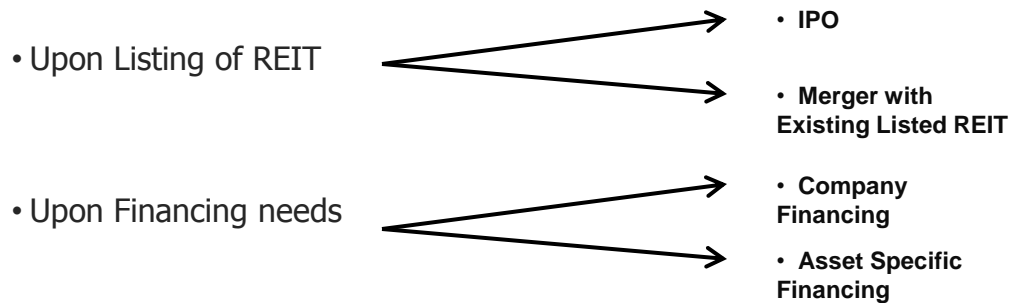
# Greek REIT's & Valuations

## "Day-to-Day" usage of Valuations

(Regulated by Law 2778/1999)

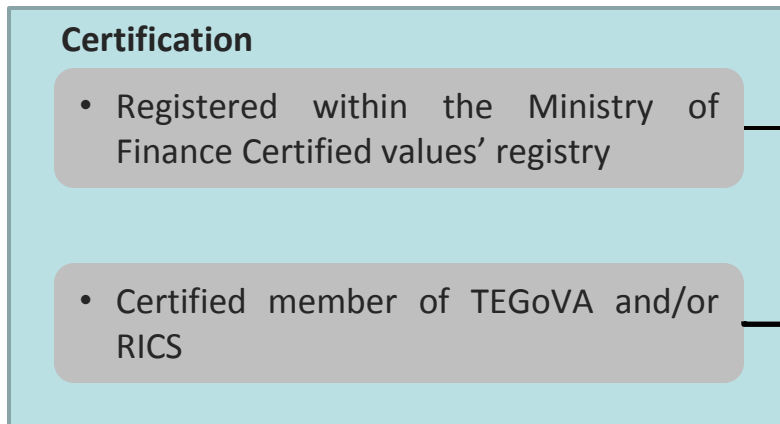


## One-Off usage of Valuations



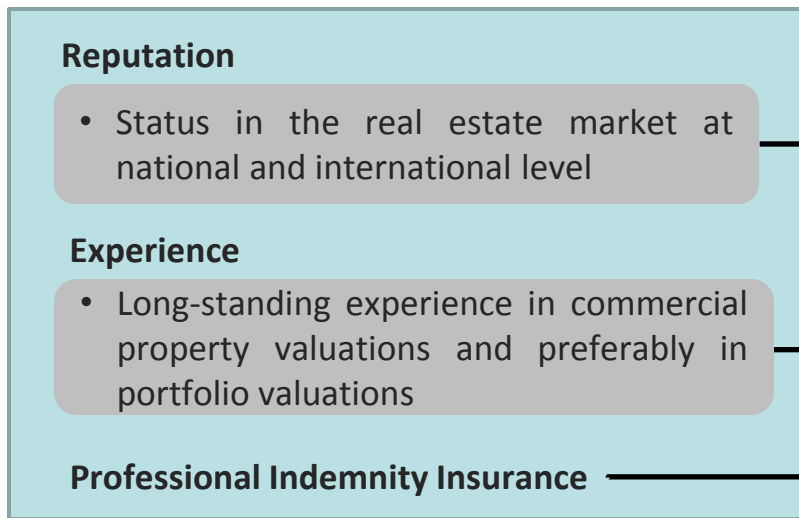
# REIC's qualifications of the valuer

## Prerequisites



Stipulated by law

## Essentials



Imposed by the national and international real estate market in order to ensure professional, high-quality services and ethics.

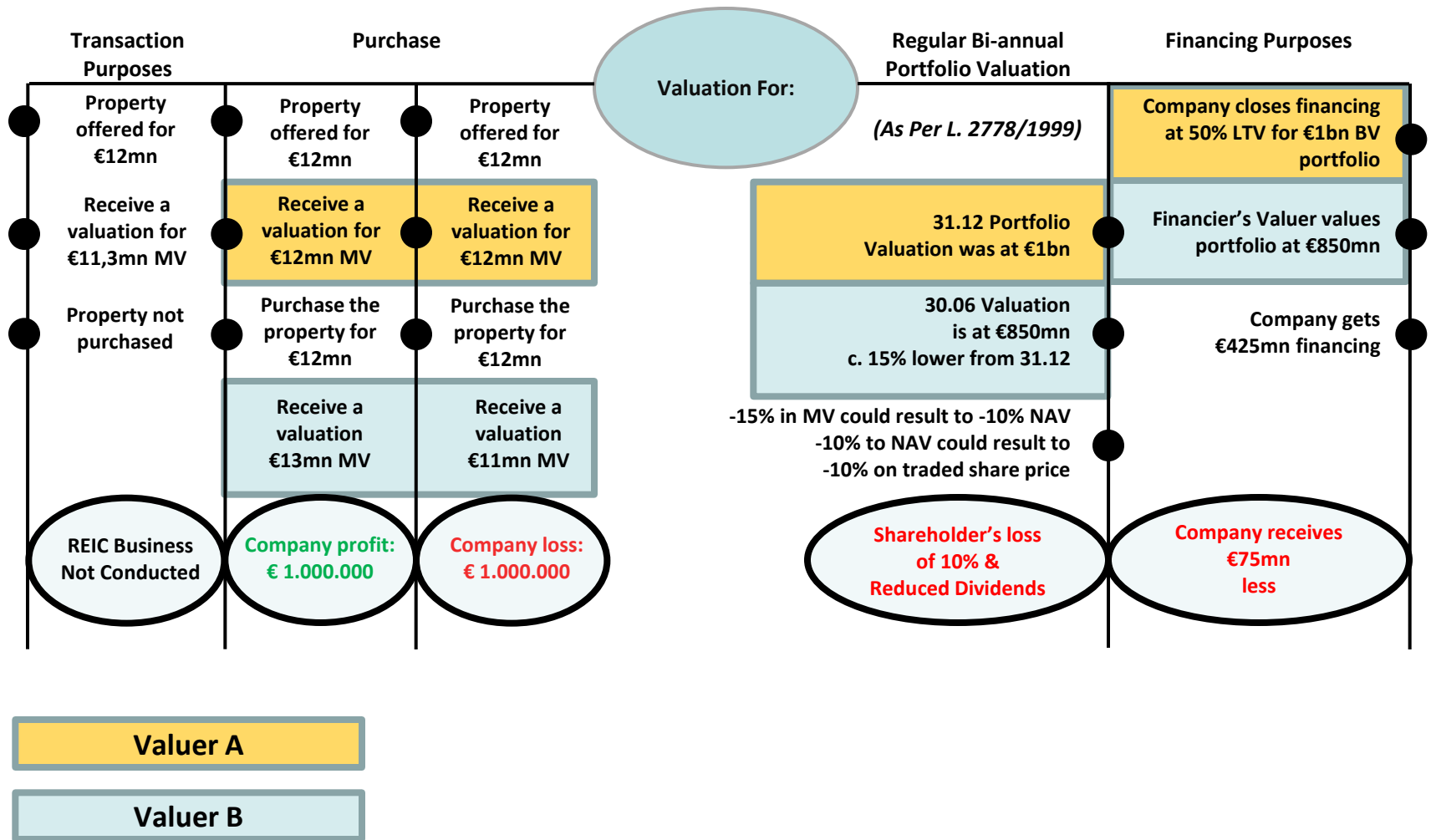
Particularly, international investors and financial institutions require to assign renowned valuation companies, in order to feel safe prior to investing in/financing the company.

The valuations are also thoroughly reviewed by auditors, whose report affects the company accounts and its reputation.

REIC's are monitored by appropriate regulatory authorities that require valuations to be completely transparent



# Effect of Valuers' perceptions on REIC's Business & Results



# Conclusions - Recommendations

## Conclusions

- Real estate valuations are very important, particularly for the investment market, due to the fact that they have a substantial effect on the gain/loss of market players.
- The significance of high-quality, professional, independent valuations dictates that real estate market players should rely on values that are knowledgeable, experienced, professional and ethical. These qualifications can only be ensured through a formal, reliable, certification process of the valuers.
- This will enhance the level of knowledge, expertise and transparency gained in the market and will minimize the risk assumed by real estate participants.

## Recommendations

- A universal Databank for market data used in valuations.
- The role undertaken by TEGoVA is very important and care should be taken not only to maintain a high level of valuation standards, but also to ensure that more valuers are certified.
- Streamlining of valuation methods per type of property under examination.

