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EDITORIAL

Valuation matters to Europeans

On the 21st of July 2020 Europeans made history. From the jaws of viral disaster, they took a giant step toward “ever closer union”, enabling deficit spending at EU level and fostering a market in EU debt giving the Union permanent access to affordable market credit. They doubled their budget and started to pay for it with an EU tax on non-recycled plastics and planned for a carbon tax at the EU border, a digital tax, a financial transactions tax and ETS revenue.

In so doing, they finally tackled the greatest systemic risk of all: a common market and common currency without a ‘lender/spender of last resort’. At last, Europeans have begun to approach the centralised government oversight and economic policy instruments possessed by nation states and that enable countercyclical corrective measures.

It’s a miracle, but not a panacea. A continuing weakness is the EU’s ‘light touch’ supervisory regulation. Today as at its inception, the free movement of people, goods, services and capital is still essentially founded on the principles of minimum European harmonisation, mutual recognition of national rules and home country control of companies wherever they may wander.

That’s why, even more than a nation state, Europe needs market transparency and credibility, the chemical elements of confidence and trust. All human society shares this need, but for Europeans it’s more important because of ‘light touch’ and the remaining differences between national economies and cultures. The most crucial and systemic touchstone for transparency and credibility is value, in particular the value of real estate because of its relative weight in the economy, in taxation, in banking and in people’s lives.

The European authorities recognise the systemic importance of quality valuation. That’s why EU banking law requires it and the European Central Bank polices it.

And that’s why Europeans have a special need for a corps of highly qualified rigorous professionals whose core competence is the objective determination of value. These professionals need to master the particularities of the local markets they operate in, but they need to do so on the basis of a common European valuation culture to ensure that the entire profession is performing to the same standard all over the Union and its sphere of influence. Clients and supervisory authorities need to be confident that this is happening.

The safety valve is TEGOVA, its European Valuation Standards and European professional qualifications. Because Europe itself is a work in progress, the key role of ensuring the concept and the detail of qualified, professional, reliable determination of value has fallen to the profession itself. In TEGOVA, the best experts from among 70 000 qualified valuers from almost all EU and candidate member states work together to produce cutting edge standards and methodology practiced by all and led by an elite of Recognised European Valuers.

TEGOVA has risen to the challenge of guiding valuers, clients and authorities through this accelerating “passage to Europe”.

Michael MacBrien, Editor

#01

No business valuation without education



João Carvalho das Neves

“Business strategy and planning are the cornerstone of all business valuation.”

People often think of business valuation as a number-crunching activity based on financial and accounting expertise, perhaps because almost all business valuation requires:

- Analysing the business's historical financial statements as this is often used as the basis for estimating future profits and cash flow;
- Developing a number of assumptions on the value drivers of the business to calculate the present value of all expected future cash flows discounted at the appropriate discount rate;
- Complementing all these analyses with a relevant form of valuation that looks at financial ratios of comparable businesses or companies.

But that's the tip of the iceberg. Several tasks actually precede all that, beginning with formation of a view on the business's past financial performance in comparison to major industry competitors. Next comes an understanding of the opportunities and threats that the company under valuation may face, due

to political, economic, social, and technological factors (known as PEST Analysis), crucial to developing a broader view of the business's market position and of the trends that will affect the company and its competition in the future. It's also crucial to identify the major competitors and evaluate their strategies to determine their strengths and weaknesses relative to the business, product, and service that are under valuation (known as a SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats) including the Porter's Five Forces of Competitive Position Analysis.

Business strategy and planning are the cornerstone of all business valuation. The business strategy sets the basis of the business plan and is crucial to a realistic business valuation.

Another key issue in business valuation is conducting due diligence, searching for the relevant information on the value of all relevant assets and liabilities, business opportunities and risks associated with the past, present and future of the target company. Due diligence comprises analysis of information concerning all aspects of the business impacting value such as fixed and current

“Knowing these details of an existing business helps determine the financial risk involved.”

assets, liabilities, financial and accounting data and reporting, relevant contracts, information technology and management information systems, production facilities, clients, suppliers, corporate governance, employee information, environmental aspects, intellectual property and any outstanding legal and tax matters. Knowing these details of an existing business helps determine the financial risk involved. In addition, the client negotiating the terms of the acquisition might use due diligence information.

The Business Valuer also needs to be familiar with the theory of mergers and acquisitions and understand the perspectives of the bidder and of the target so as to identify and value potential synergies ensuing from the acquisition.

It is important to understand the deal's financial and legal structuring as it has implications for accounting and taxation, affecting the income, cash flows and risks for buyer or seller, with impact on the estimated value.

The different types of cost of capital, the data sources available, the different types of computation considering an Entity approach or an Equity approach, the different concepts and premises of value to be used in the valuation are important for planning the valuation process, its phases and the team involved.

Beyond this business valuation core, special areas of knowledge are required. It is important to learn expert witness best practice. Legal, accounting and taxation terminology and concepts are crucial when working for a client or for a Court in a litigation-related project or for corporate reorganisation, M&A or tax planning.

The Business Valuer may have to intervene for example in the calculation of economic loss, damages, and other litigation processes. In situations defined in the Companies Code and Securities Code, the Business Valuer may be appointed by the Securities Commission to defend minority interest shareholders, for instance in hostile public offers that put minority interests at risk.

Valuation methodology and theory may also need to be applied in specific contexts, including family law, personal injury and wrongful death, quoted and unquoted company issues, fair tariffs in utility based on the effect on the equity fair value, fairness opinions for minority interests or for takeovers that may require the use of discounts and premiums. It may also include allocating value amongst different classes of shares: common shares, preferred shares, hybrid instruments or stock options.



#01 No business valuation without education



Case studies are crucial. During the teaching and training phase, the Business Valuation student needs to be exposed to case studies and special projects with real data. Students in training must be able to work with a mentor who can share experience of developing the business report and in particular, the conclusion or the assessment of value, the preparation of investment studies and analyses, preparation of presentations and memos for clients and development of investment terms in binding or non-binding offers. The mentor must also help with practical issues in determining the type of value defined by the engagement. Examples are the financial analysis report, financial modelling, guidance on quantitative and qualitative research, specificities of due diligence, assumptions, valuation using discounted cash flow, developing and analysing the sample of comparable companies, applying different techniques of risk analysis. Finally, the mentor must supervise and guide the Business Valuer trainee on how to report all this in accordance with European Business Valuation Standards (EBVS 4).

I have been teaching business valuation at master level (master in finance or MBA) and post-graduate studies since 1992 and for executives since 1986. My experience is that it's easier to train people with a bachelor's degree in finance, accounting, management or economics as they already have core knowledge required of a Business Valuer such as business strategy, financial account-

ing, financial analysis, corporate finance, taxation, etc. Students with a degree in engineering have the analytical skills to learn these basic courses very easily. Students with a bachelor's degree in other disciplines can excel if they put the effort into it, as I have often seen them do, but in any case a bachelor's degree is certainly a requisite.

A Real Estate Valuer already has a number of skills that can be easily adapted and applied to becoming a certified Business Valuer with a very useful diversification of activity using the existing basis of clients as long as conflict of interest is avoided. ◀

“Students in training must be able to work with a mentor who can share experience of developing the business report...”

João Carvalho das Neves PhD REV FRICS is Professor of Leadership and Finance at the ISEG School of Economics and Management, University of Lisbon, and a Member of the European Business Valuation Standards Board.

#02

Comparable evidence for valuation

a broader definition¹



Nick French

Let's start with three observations about the process of valuation from some of my past writing:

- "Valuation is primarily concerned with comparison";
- "Valuation is not a science. It is a heuristic process of identifying and quantifying market price in the absence of an actual sale or letting";
- "Valuation is about observation. Obviously, valuers need to analyse and interpret the comparables available to them. In an emerging economy with fewer transactions and less investment activity, this may not be many sales comparables, but the principal remains. The valuer will anchor on the last set of comparables and will adjust their valuation according to their observation of current market sentiment".

Even though, when I made that last statement, I recognised that the valuation process would be driven by the culture and availability of data in a specific country or market, I must admit that my view of comparables was informed by my own experiences in the UK where transactional data is nearly always available and easily and collectively shared. It is only as my involvement with TEGOVA has expanded and I have been fortunate to discuss valuations with colleagues from different markets that I have developed a better sense of the challenges of valuation in non-transparent markets.

"I have been fortunate to discuss valuations with colleagues from different markets."

¹ This study referred to in this article was undertaken prior to the global downturn triggered by the Covid-19 pandemic. It is appreciated that the availability of data in different countries will be more uniform in the current context.

What is acceptable Comparable Evidence?

That 'transactional//non-transactional' dialectic peaked during the discussions on the topic of using "asking price" data in valuations at the TEGOVA General Assembly in Sofia in October 2019. Here a distinct split in views was in evidence; colleagues from transparent markets coming down against the recognised use of asking prices and colleagues from more opaque markets arguing that anchoring on such information was sometimes the only way to judge market sentiment. As a result, I was commissioned to undertake a study.

As part of that study, in January 2020 a questionnaire was sent to TEGOVA experts and delegates to get a feel for the use of comparable evidence in all forms in as many European markets as possible².

“In more opaque markets, [...] the valuer has to rely upon softer sources of comparable evidence.”

An Investigation into the use of Comparable Evidence in Property Valuation.

The brief for the report was to identify the role that comparable evidence played in property valuation and how the availability and use of comparable evidence varied between different countries and jurisdictions across Europe.

The principal issue was that whilst it was recognised that "comparison" was the lynchpin for determining market value, it was frequently the case that the term "comparable", in all languages, was used restrictively, both within professional standards and colloquially, to only refer to transactional evidence.

But valuers rely upon many other forms of comparable evidence to come to a professional opinion of value which is in fact a mix of market data and an understanding of market sentiment. Comparable evidence is a "signpost" to gauge the market and this may include transactional evidence, asking price information, enquiry details of potential purchasers,

market listings, market commentaries, market indices, government cadastres and the professional opinions of other valuers.

It was clear from the responses to the questionnaire that not all countries are the same, both in terms of their business culture and their commercial development. This is recognised in the professional and academic literature as "degrees of transparency". A highly transparent market enables access to all forms of comparable evidence and, thus, the valuer has the luxury of using hard transactional evidence as a principal signpost for determining the market value of the subject property. However, in more opaque markets, such data may not be available and the valuer has to rely upon softer sources of comparable evidence. Each of these data sources can be ranked and part of the questionnaire asked the respondents to do so by reflecting the importance and availability of each data source within their respective markets.

² Thank you to everyone who not only completed the questionnaire but wrote expansive and informative commentaries on the issues in each country that really helped me to get a complete understanding of the use of comparable evidence in different cultures and markets.



Nick French is a recognised expert in property valuation. Previously, he has worked as a professor at various Universities in the UK, Europe and the USA. In 2018, he set up Real Estate Valuation Theory, a vehicle for writing papers, presenting conference papers and undertaking in-house training for the real estate profession at home and abroad.

Pricing to Market – The Survey and Report.

The results of the survey and the full report can be read on the TEGOVA website³ but, in short, the findings reflected the fact that valuers in an opaque market may rank their best information available, say asking price, higher than valuers in a more transparent market would. The results showed a broad correlation between the ranking of data sources in each country and the transparency of the market in question.

The principal finding of the report was simply that valuers have to adapt to the data available within their specific country. The application, veracity and appropriateness of comparable data is not universal and this should be acknowledged and reflected in international valuation standards.

CONCLUSION Comparable Evidence – A broader definition.

Historically, valuation standards have equated comparable evidence with transactional data. Yet, in practice, as evidenced in the results of the survey, valuers use a wide range of comparable evidence (including asking prices, bid information, market indices, etc.) to help them determine the market value of the subject property. This is a mix of quantitative data (asking price, transactional evidence, use of indices or cadastre) and a feel of the market in the form of assessing market sentiment. This much broader definition should be the focal point of a complete and in-depth understanding of the valuation process.

Different markets dictate a different ranking of the data source within the broad heading of comparable evidence. This is not a reflection upon the ability and professionalism of the valuers concerned, but simply reflects the natural restriction of the market within which they practise.

My talk at the TEGOVA Assembly in 2019 was entitled “The complexity of simple valuation models; capturing expertise and experience” and it is this which is the measure of a good competent valuer. Comparable evidence, in all its forms, is the tool of the valuer but its availability varies according to market of the valuation. Recognising and respecting this fact is the strength of TEGOVA. ◀

“Valuers have to adapt to the data available.”

³ Report on Comparable Evidence in Property Valuation, July 2020, <https://tegov.org/en/p5efef8bcc512>

#03

The reliability of comparables in France



Cédric Perrière

In May 2019, French land registry records were opened to the public, granting free on-line access to the sales prices of approximately 15 million properties sold over the last five years. In a historically opaque French market, expectations were high as the price transparency revolution seemed finally underway. But after one year, the process remains complex, the data inconsistent and the residential real estate market has gained little in transparency.

In theory, those data have been public for years, but either the access was limited or getting the data was complicated, time consuming or expensive. Thanks to the “Loi Numérique” promoting the release of all public data, the Department of Public Finances (DGFIP) made its property database freely available on the web. This database, called “DVF” gives access to the actual selling price of about 15 million transactions registered in the past 5 years for houses, apartments, industrial and commercial premises or plots. Buyers and sellers can now have access, without any intermediary, to the factual data relating to mostly all real estate transactions in the country.

After one year, there is still very little public awareness of the DVF database mostly because the raw files are heavy to download and extremely complex to use. The files comprise millions of lines that need to be aggregated, reprocessed

“Buyers and sellers can now have access [...] to the factual data relating to mostly all real estate transactions in the country.”

and often deduplicated. As a consequence, commercial websites and online applications for statistics, comparisons and automatic valuation systems have flourished and all the biggest real estate portals now offer their own DVF-based products for ‘free and easy’ property valuation. Most players are communicating very low median margins of error between valuations and transaction prices of only 5 or 6% in urban areas.



In reality, there are major problems related to the accuracy and reliability of the French data, and at this stage, I would be cautious about the very high level of confidence declared by the leading players, especially with less than one year of history.

The first problem is that basic information needed to produce reliable valuations is missing. For each transaction, you can have access to the sale price, the transaction date, the declared living area, the geolocation and the legal regime of the sale but there is very little information on the property itself. Key information available from the tax authorities is not communicated, such as the floor number, the surface of the terrace or the year of construction of the building, all of which are fundamental in an estimate. Besides this, if the accommodation is sold with a parking space, it simply indicates "dependency", which could also be a cellar. Other key information simply doesn't exist in any database like the architectural style of the building, the interior condition, the quality of the view or the luminosity.

The second issue is that the database lacks the most recent transactions, being updated only twice a year (in April and October) for transactions recorded four to six months before. So it can sometimes take over a year before the latest transactions appear in the database. The market may have risen or fallen considerably in the meantime, especially in volatile times like now, with Covid-19. For example, the next update, in October 2020, will cover sales up to June 2020, which rules out any overview of the health crisis fallout for the real estate

market. Professionals may have to wait for April 2021 and probably even October 2021 to have a better picture of the impact of the lockdown. In rural areas where the market is less active, it may take even longer to draw a clear trend.

Last but not least, without even entering into the debate on the future performance of algorithms, those tools cannot give consistent results if the data they are using are not reliable. Today, there is still a critical issue in France about the accuracy of living area measurement of individual houses. When selling an apartment or a co-ownership property, the vendor must guarantee the surface area and provide an official certificate based on a standard means of measurement (Certificat loi Carrez). Unfortunately, for individual houses only a simple declaration form is required. So, the reliability of the surface area – the basis of all calculations and estimates – is not guaranteed for single-family houses, which still represent 50% of the French market.

“There are major problems related to the accuracy and reliability of the French data.”

“Automated calculations [...] are mostly wrong since the raw data uploaded to the machines are incomplete and not reliable.”

As a test, we compared the living areas measured by our teams with the areas declared in the DVF, based on more than 300 valuations of individual villas that we carried out in 2018 and 2019 in the “Côte d’Azur” (the French Riviera) and the results are surprising:

- Only 13% of the surfaces can be considered as correct (within a range of 5%);
- 87% of the surfaces are inaccurate with a median error of 20% and, as expected, about 90% of the properties have a higher surface than declared;
- More than 20% of the properties when correctly measured differ by more than 50% from the declared surface area.

We further noted that the errors are randomly distributed, meaning that there is no correlation with the size of the property, the period of construction or the neighborhood. It is therefore nearly impossible to apply an ‘average’ adjustment coefficient in an algorithm to take the flaw into account and smooth the results.

In addition, some prices seem inconsistent. In principle, they are net, i.e. excluding real estate agency fees and transfer duties. However, by comparing the sales prices with the official deeds, we found that the price sometimes includes the agency’s fees or even the furniture value, which makes comparisons between two properties even more difficult for an algorithm.

In short, the power of big data to identify trends, insights or future risks and opportunities is undeniable, but when it comes to individual property valuation, automated calculations based on the holy ratio of price per sqm are mostly wrong since the raw data uploaded to the machines are incomplete and not reliable.

So if you ever wondered what your neighbours paid for their property, now you might be able to satisfy your curiosity with DVF-related tools, but if you need a proper valuation, qualified valuers are far from being replaced by algorithms. ▲



#04

Digitisation – more opportunity than risk



Alexander Weber

In the public debate, digitisation is a buzzword that affects almost all sectors of the economy; disruption is the epitome of fears of established players, not only the real estate industry.

Digitisation has an impact on property valuation whether in customer communication, the valuation process or the writing of valuation reports.

Robotics, Artificial Intelligence, Blockchain, Virtual and Augmented Reality, 3D Printing & Offsite Construction, Drones and Sensors are technologies that have already been incorporated in the real estate industry. These new technologies may influence the work of real estate valuers in different ways in the near future.

Three years ago, in 2017, the real estate industry in Germany seemed to lack the courage to jump on the digital train. Established companies were spectators of the start-ups and their innovative approaches. It was a wait and see

attitude rooted in the fear that their own business models would be replaced by the digital transformation.

It was in this year, 2017, that an empirical survey was conducted among German real estate valuers based on the use of digital instruments such as valuation software, database queries and the use of social media channels.

The German association for real estate agents, property managers and valuers (IVD) took three starting points for digitisation within the valuation profession: the procurement of data, the rationalisation of work processes and reaching of clients via the Internet.

One of the results of the survey was that for data procurement, an average of 15 information requests must be made to various sources of information for the valuation and it was discovered that standardised interfaces to the providers could bring major time savings.

“Standardised interfaces [...] could bring major time savings.”

When rationalising work processes, valuer liability is key. The property inspection and the determination of the value parameters as well as the valuation report are linked to the valuers themselves, putting intrinsic limits on 'rationalisation'. Nevertheless, routine work can be transferred to expert staff. In this context, the use of a project management tool for process control and a document management system (DMS) for handling the data material were identified as beneficial. Image processing programs with automatic filing and assignment function, dictation systems with speech recognition and text modules in word processing were mentioned as further means of increasing efficiency. Additionally, to reach potential clients, the possibilities of the Internet can be used in many ways.

An important side issue of digitisation not considered before is the provision of fast Internet connection for valuers. This is connected to the ability to use digital services at respective valuer locations. Often large amounts of data have to be exchanged between client and valuer where cloud-based software has to be used. Without the appropriate bandwidth, efficient work is often either not possible or severely restricted.

In 2017, 44% of respondents had zero access to high-speed Internet in Germany and in 2020 nearly 20% of respondents still do not have access, a significant parameter in the valuer's use of digital services.

In 2017, around 40% of valuers surveyed used specialised property valuation software with the data interfaces to improve their daily work. In 2020, during the pandemic, the figure only slightly changed to 52%.



“In 2020 nearly 20% of respondents still do not have access [to high-speed Internet].”



Adaptation brings opportunity.

In this ongoing digital revolution, real estate valuers must focus on their core competencies that serve to reduce risks for their clients and the users of the valuation reports.

One of the core valuer competencies is data analysis and the ensuing professional judgment. To enhance this core competence, real estate valuers must develop a deeper understanding of statistical modelling in view of the range of automated real estate valuations available.

Methodological competence in data analysis and a certain understanding of how algorithms work will be necessary sooner than later. This understanding can also be used to develop models capable of supporting professionals in their own valuation process.

The development of sophisticated statistical models is not rocket science. Currently, there are a large number of providers offering technical solutions for data generation, such as data extraction from the Internet and statistical modelling. With this development, the business models of existing AVM providers are themselves falling victim to the disruptive power of digitisation especially when more and more valuers are developing an understanding of artificial intelligence and machine learning tools that are implemented in advanced statistical models.

Automated real estate valuations are already taking over part of the valuation volume from banks as a result of digitisation. However, the flipside of digitisation is the opportunity for real estate valuers to act more as consultants and developers, even for the banks. Surely, one of the tasks for valuers will be to randomly review data that are used in statistical models.

The author Reinhard K. Sprenger aptly points out that paradoxically, digitisation now forces the reintegration of the human being into the value chain and that digitisation leads to a new and higher appreciation of human abilities. ▶

“Paradoxically, digitisation now forces the reintegration of the human being into the value chain.”

Alexander Weber is Head of Certification at DIAZert and delegate of the German association for real estate agents, property managers and valuers (IVD) to TEGOVA.

#05

IMMUNE



Liviu Tudor

European Valuer interviews Liviu Tudor, Chairman of Genesis Property, on the IMMUNE building standard and valuation of buildings' immunity to pandemic threat.

European Valuer:

Genesis Property has produced the first-ever standard for buildings' resistance to pandemic threat. How did that develop?

Liviu Tudor:

The project was born of our realising early-on that Covid-19 is not a freak event. The emerging expert consensus is that major epidemiological events are increasingly likely in future. It is not yet clear whether this phenomenon will cause a permanent shift toward home working, nor how significant the shift may be, but much work remains dependent on physical human interaction.

It is also emerging that currently it is easier to protect people in public transport than in their work environment, making the healthiness of buildings the key challenge for the basic functioning of the market economy and for the confidence factor that underpins it. Once we were clear on that, a building standard became self-evident and urgent.

“[...] making the healthiness of buildings the key challenge for the basic functioning of the market economy.”

EV:

What exactly is IMMUNE?

LT:

It is the first open source standard for certifying the built environment's capacity to withstand present and future health challenges and minimise the impact of pandemics. It's inspired by technologies and procedures successfully applied in hospitals and "clean rooms" and adapted for use in commercial real estate.



EV:

How does it work?

LT:

There are 100+ measures combining technical solutions and facility management practices, for example:

- Quarantine rooms;
- Logistics for pandemic response including PPE;
- Built-in sanitisation technologies to prevent the spread of bacteria, viruses, and toxins;
- Bathrooms equipped with Bio Sanitisers – Urinal & WC Hygiene Flushing System;
- Ozone space and water treatment;
- Walls covered with antimicrobial paint;
- Rounded corners to minimise bacterial deposits in toilet cubicles;
- Crowded areas such as meeting rooms and cafeterias fitted with high-class air filters.

A key factor – hardwired in the IMMUNE standard – is that all measures must be implemented, monitored and maintained by a trained steward managing a dedicated FM project team.

The measures are submitted to an assessment scoring index and points system for three IMMUNE labels: Strong ***, Powerful **** and Resilient *****. An Accreditor, an institute or specialised building standard issuer, can award a label after receiving the compliance report from an authorised building Assessor, an independent third-party company specialised in sustainable building design, development, and certification. The Assessor is trained by the Accreditor to verify how the architectural engineering and design measures were implemented.

“It is the first open source standard for certifying the built environment’s capacity to withstand [...] health challenges.”

“A company can create and instil [the ‘intangible capital’, the culture] only inside an office space, where people work, interact, create and have fun together consistently.”

EV:

Have you costed all these measures?

LT:

2% of the initial investment's value, with variations depending on the state of the building, of course.

EV:

That's not peanuts. Do you really think property companies will go for that?

LT:

Absolutely. Owners and landlords of Grade A commercial were prepared to invest just as heavily in the greening of their buildings, more for prestige than for bottom line, as businesses' energy costs are marginal compared to cost of personnel. In this case, we're talking about nothing less than a business's capacity to keep functioning in a pandemic.

EV:

One element of IMMUNE is spacing between desks. There's been a tendency on the part of offices, especially in high rent cities and areas, to cram office workers together like sardines. If you space them, more office space is needed. Is that increased overall space included in the IMMUNE cost estimate, or are you surmising that more spacing in the same total office area will be possible thanks to a permanent increase in home working?

LT:

Spacing between desks is a measure applicable during pandemic times, when many people work from home. Coming back to the office will be a gradual process, starting let's say from 25%, later 40% and then 50%. When the pandemic is declared over, some extra distancing will remain, meaning that the work place will be flexible with a number of people working from home in shifts. And by that time, each company will decide if they need the same space or less. The tendency today is that CEOs of a lot of companies are envisaging they will need less space; my opinion is they will need the same space, just because of the 'intangible capital', the culture. A company can create and instil this only inside an office space, where people work, interact, create and have fun together consistently.

EV:

How do you perceive the impact of this phenomenon on valuation practice?

LT:

In the exchanges that led to this interview, I got a look at EVS 2020 and was particularly struck by the new Standard on valuation and energy efficiency. I believe that the degree of immunity of a building to pandemic threat is likely to become as inherent to its Market Value as its energy efficiency, with cross fertilisation between the two given the cost-effectiveness of addressing health and energy efficiency holistically in building design or renovation.

I imagine it will take time for TEGOVA to integrate and translate health protection issues into a valuation standard, just as it took you time to reach a standard on energy efficiency valuation. My understanding is that the catalyst for the EVS 2020 energy efficiency valuation Standard was EU-inspired national regulation rendering energy inefficient buildings unfit for purpose by set dates. Regulation and standards will doubtless also be the catalyst for a valuation standard on buildings' pandemic immunity, but in the meantime, I think valuers should at least have some sense of the immediate added Market Value of those buildings which have benefited from a comprehensive and certified effort to ensure occupier safety. ▲

Liviu Tudor is Founder and Chairman of Genesis Property, the largest Romanian owner of office buildings, Founder and Chairman of the Romanian Building Owners' Association and President of the European Property Federation.



#05 IMMUNE



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