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TEGOVA
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Krzysztof Grzesik
on the Europeanisation of real estate and valuation

EUROPEAN VALUATION STANDARDS 2025

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EDITORIAL

EVS 2025 and the Blue Book constellation at Europe's cutting edge

The Sturm und Drang of the here and now are often so blinding that the significance of events only appears with hindsight, an EU speciality, and never more than now: there's a European Zeitgeist of decline and impoverishment stoked by high prices and housing shortages compounded by a dark view of relentless EU enlargement and uncontrolled immigration. And yet, Europeans together are facing up to all the great collective challenges of our time: health, defense, space, industrial transition and technological change. Not just by legislating (crucial as that is) but by doing.

Perhaps the area that Europeans least associate themselves with is high tech. On the contrary, there's a perception that Europe is losing the most decisive race of all. And yet...

- European tech is worth almost 3 trillion euros, growing at 27% per annum since 2015.
- Europe creates the same number of start-ups annually as the U.S.
- 30% of all world start-up financing is European compared to 36% for the U.S. and in Europe start-ups are growing at a rate of 24% per annum as compared to the U.S.'s 4%, on course to surpass the U.S. in four years.
- 1.9% of European start-ups become unicorns, the same figure as the U.S.
- Europe has the advantage in Impact Tech[1] with over 50% of seed investment going to companies contributing to the UN's Sustainable Development Goals (SDGs).
- Europe has twice as many software developers as the U.S. and has four of the ten best technical universities in the world compared to the U.S.'s three.
- 18% of the world's AI research talent is in Europe as compared to 20% in the U.S.
- Capital risk funds are more profitable in Europe than in the U.S. [2]

Essential ingredients of that are the critical mass of enlargement and the welcoming of talent from across the globe, while a further boost will come from the UK's recent rejoining of Horizon Europe, the EU's key funding programme for research and innovation with a budget of €95.5 billion for 2021-2027. In its messy way, and defying Newton's second law of motion, Europe's acceleration increases as its mass increases.

Europe is still grossly inferior to the U.S. in terms of financing all this but the solution is there: the Capital Markets Union that the Letta and Draghi reports urgently call for and that EU lawmakers are set on delivering.

Real estate is at the heart of Europe's technological mutation. Commercial property is adapting to all the special requirements of those who develop or use the new technologies and all real estate is embarking on the long, hard process of decarbonisation with technology shaping every level in the construction and renovation chain.

EVS 2025 embraces sustainability, decarbonisation and technology, not just with the Standard on Valuation and Energy Efficiency now crucially enhanced by a methodology, but throughout the Blue Book, including education.

Europe's technological upheaval is pervasive, infiltrating every sector of the economy. For the valuation profession, that's a call to a cross disciplinarity that is already Blue Book reality because EVS 2025 does not stand alone; it joins ranks with European Business Valuation Standards (EVS-BV) and European Plant, Machinery & Equipment Valuation Standards (EVS-PME).

All three Blue Books were designed in close coordination between the various standards boards to ensure coherence of common principles[3] and facilitate cross disciplinarity[4]. In this issue of EVJ, Dana Ababei takes a further step in her article "Cross disciplinarity in complex valuation projects".

EVS-PME was also the first to integrate the massive valuation impacts of the European Green Deal[5] and the coming 2nd edition of European Business Valuation Standards is surely destined to be the flagship Blue Book for charting technological impacts on value (spoiler: start-up valuation is in the pipeline).

In this confusing age of change, nothing is a given apart from vocal pessimism and pain. But Europe is far better equipped to break through than many think, as the valuation profession gears up to estimate the outcomes.

Michael MacBrien, Editor

1 An emerging subset of technologies that is geared toward impact – in short, that aims to produce wide-ranging social, economic and environmental results

2 From "L'Europe est à l'orée de devenir une superpuissance mondiale dans le domaine technologique" by Tom Wehmeier, partner, Atomico, the main European capital-risk fund, and Niklas Zennström, Cofounder of Skype, founder and director general of Atomico and member of Scale Up Europe – Le Monde, 13 June 2023

3 "European Plant, Machinery & Equipment Valuation Standards 2022 – Steeped in Blue Book tradition, in sync with the EU's climate/industrial transition" by Konstantinos P. Pallas – EVJ Issue n° 27, September 2022

4 "Real Estate Valuation and Plant, Machinery & Equipment Valuation – An indispensable alliance for valuing the energy efficient transformation of the European building stock", by Ana Caldeira Martins – EVJ Issue n° 25, March 2022

"Green Deal decarbonisation of the building stock rides on technical building systems" by Ana Caldeira Martins – EVJ Issue n° 30, July 2023

5 "Equipping valuers for EU carbon reduction regulation" by Ioannis Koutsogiannopoulos – EVJ Issue n° 24, December 2021

#13: A changing real estate landscape in Europe and beyond

Interviewed by Ian Ellison
Edited by Ed Lane-Fox
Designed by Ed Lane-Fox, Ed Wilson, Ed Ellis, Ed Ellis, Ed Ellis

#02
About EVS 2025

Cédric Perrière

An essential purpose of any new edition of EVS is to accompany market developments and regulatory changes. Since 2020, there have been significant transformations, especially as European Valuation Standards are designed in lock-step with EU law which has impacted valuation more than ever before.

These rapid and profound EU-led mutations explain the many new aspects of EVS 2025:

- *EVS 6 Valuation and Energy Efficiency now sets out in detail the methodology the valuer must follow to determine Market Value in an EU-legislated context of rapid mandatory renovation of the worst performing building stock. The essentially residual approach adopted has also been enhanced by a review of the residual methods in Part II Methodology.*
- *The revised Capital Requirements Regulation's valuation provisions – including a new 'property value' comprising 'prudently conservative valuation criteria' – are treated in depth in European Valuation Guidance Note (EVGN) 2 on Valuation for Mortgage Lending. For TEGOVA's 70 000 valuers from almost every EU Member State and candidate Member State, this will be the key tool for combining Market Value and 'property value' in our professionals' valuation of mortgage collateral.*
- *Agriculture has become a major economic and geopolitical concern leading to the return after twenty years of a Guidance Note (EVGN 4) on Valuation of Agricultural Property covering all aspects including climate change and technology and data.*
- *Part VI Valuation and Sustainability has undergone an in-depth revision and expansion to take account of the vast changes brought to land and buildings by the European Green Deal.*
- *Part X. European Union Legislation and Property Valuation comprehensively documents and explains the impact and professional significance of the most extensive EU legislative property and valuation production ever.*

Of course, another key purpose of EVS is to provide valuers with their essential practice tool in the most didactic manner and in a way that is also intelligible to clients and the authorities. The entire Blue Book has been reviewed to this effect but I would highlight in this regard:

- *The template reports for office property (EVGN 3.II) and agriculture (Annex to EVGN 4) complementing the highly successful EVS Valuation Report for Residential Property*
- *The Minimum Educational Requirements (Part IV)*
- *Valuing in Non-transparent Markets (EVIP 1)*

Sadly, Europe today is not only about advancing and securing the economy and the environment and promoting social progress; it is also the theatre of a terrible war. Since its inception, TEGOVA has helped Ukraine and our courageous Ukrainian colleagues in every way we could. In particular we responded to the request of the State Property Fund of Ukraine to provide guidance on the application of EVS to:

- *The assessment of war damage to individual properties and businesses in Ukraine, as is being undertaken by valuers for clients*
- *The assessment of the costs of post-war reconstruction*

Despite its Ukrainian origin, it is valid for all war situations and is now the first Guidance Note in these Standards.

Along with TEGOVA Chairman Krzysztof Grzesik, I wish to thank the members of the European Valuation Standards Board for their sterling work and in particular Jeremy Moody, Vice Chairman, for his extraordinary insight and effort and many groundbreaking contributions.

The European Valuation Standards Board and the TEGOVA leadership believe that EVS 2025 has squared the circle, putting valuation at the cutting edge of EU policy implementation with an unerring focus on rigorous evidence-based determination of value.

EVS 2025 is effective from 1 January 2025.

***Cédric Perrière** REV MRICS*
Chairman of the European Valuation Standards Board

EUROPEAN VALUATION STANDARDS 2025

#02

EVS 2025 AT A GLANCE · EUROPEAN VALUATION STANDARD 6

Valuation and energy efficiency

The Standard

A legal obligation to renovate a building to a higher level of energy efficiency by a fixed date or at a certain inflection point (*e.g. sale, rental, major renovation*) creates an unavoidable major cost that impacts Market Value, as the owner at that date or inflection point will have to pay for renovation works.

Valuers must be aware of these legal deadlines and inflection points and when they appear, must have regard to the cost of a renovation deep enough to meet the required new level of energy efficiency or future requirements that are sufficiently close to coming into force and consider the extent to which these costs affect the Market Value at the date of valuation.

These legal obligations to renovate stem from EU law and are imminent

- The European Green Deal is a package of binding EU legislation for the complete decarbonisation of the EU by 2050 and a 55% reduction in GHG emissions by 2030 compared to 1990 levels.
- A number of these EU laws target the building stock, the largest energy consumer (40%). and GHG emitter (36%).
- The obligations will prioritise the energy efficient renovation of the worst-performing building stock.
- New buildings must be zero-emission as of 01.01.2030 (*public buildings as of 01.01.2028*).
- Solar energy installations in all buildings except existing residential (*between 2026 and 2030*).
- The deadlines for the initial renovation obligations are so close (*2030, 2033 and 2035*) that they will cause a rapid transformation of real estate markets and Market Values.

How to determine market value

▸ THE COMPARATIVE METHOD:

If there is no statutory deadline or trigger point affecting legal rights of use or disposal of the subject building unless it is at a certain EPC class, for example, prohibition from selling, renting, donating or converting the building unless it is a certain EPC class, and if there is a sufficient number of sales transactions or listings involving similar properties not facing a statutory deadline, the valuer can determine the Market Value of the subject property using the comparative method. This approach can reflect the Market Value on the date of valuation without requiring an estimate of the renovation costs.

▸ THE RESIDUAL METHOD:

If there is a statutory deadline or trigger point affecting legal rights of use or disposal of the subject building unless it is at a certain EPC class, the valuer should in most circumstances use the residual method to determine the Market Value, proceeding as follows:

a. *Compare the building's EPC class with the class required by law at the next trigger point for that specific building.*

b. *Estimate the Market Value of the property on the special assumption that at the date of valuation it has been renovated to the required EPC class by comparing with similar properties at that EPC class.*

c. *Using the residual method, from the above end value obtain and deduct the cost of renovating to the required EPC class.*

d. *If appropriate, having regard to the scale of renovation and market practice, deduct other costs such as the cost of financing, professional fees and a developer's profit.*

For instructions specific to public buildings and to new buildings as well as for possible exempted buildings, see EVS 6.

EVS 2025 AT A GLANCE · VALUATION METHODOLOGY

The residual methods

1 **The classic residual method**, sometimes called the 'static residual method', is used to arrive at the value of vacant land ripe for development, development in progress or of land and building/s with the potential for redevelopment or refurbishment.
It assumes that the process of development, redevelopment or refurbishment is a business and, by adopting this assumption, it is possible to assess the Market Value of land or land and buildings in their existing form, reflecting development potential as a part of that process. The residual method is often also applied to measuring the feasibility of real estate development projects.

- This method is simple in concept but needs great skill and experience in application, as what appear to be minor changes to the assumptions made in carrying out the valuation can have major effects on the final answer.

- It comprises the estimation of the '**gross development value**' of the site or the buildings in a developed or redeveloped form, either by comparison or by the investment method. The valuer must take great care in applying the available evidence to establish the gross development value. The 'gross development value' is not a future value but the value of the property on the assumption that the development has been completed at the date of valuation. Thus it reflects market conditions as at date of valuation.

- The valuer must deduct from this 'gross development value' all costs that will be incurred in putting the property into the form that will command that value. These costs will include demolition of any existing buildings, design costs, infrastructure works, construction costs, professional fees, agency fees, costs required for the development to proceed and the costs of financing the development.

- It is common for a property development to be financed from external sources such as a bank loan. However, often a developer will borrow only part of the necessary amount and provide the rest as equity. In such circumstances the residual calculation should nevertheless reflect the 'opportunity cost' or forgone interest on the equity invested by the 'willing buyer'. This also applies to the financing, whether by bank loan or equity, of the cost of acquiring the property.

- A so called '**developer's profit**' must also be deducted from the gross development value. This is an allowance for the risk of undertaking the development. Developer's profit will either be expressed as a percentage of costs employed in a project, or a percentage of the gross development value, and percentages adopted will vary, depending on a variety of factors linked mainly to the risk inherent in the project and the letting and sale of the completed properties.

- When valuing a property in the course of development the valuer should adopt a developer's profit as a percentage of the remaining costs still to be incurred by the 'willing buyer' in order to complete the development. As development works progress, the percentage applied to remaining costs to arrive at the developer's profit may also diminish to reflect the reduced risk of a development nearing completion. It should be noted that the remaining costs of completing a development to a 'willing buyer' may be different to those budgeted by the existing owner of the property. Alternatively, developer's profit may be adopted as a percentage of gross development value. As the latter figure is typically stable over the construction period, (*unless market conditions change*) and does not change in line with the progress of development works, a valuer should manually adjust such percentage to reflect diminishing level of risk of a development approaching completion.

- Given that under the Market Value definition the valuer should assume a hypothetical sale of the property, all costs should be calculated from the 'willing buyer's' perspective at the date of valuation. Any existing contractual obligations between the current owner and contractors should be ignored.

- After deducting all the development costs and the developer's profit from the gross development value, the result is the residual value. The acquisition costs and the financial costs that result from the possession of the land during the construction period (*costs of the property purchase loan or opportunity cost*) should be deducted from the residual value to determine the Market Value of the property, so taking account of the time cost of money.

- As a valuation by means of residual method is sensitive to even minor changes in the assumptions employed in the valuation process, the valuer should test the result by at least benchmarking the obtained unit value with any known market data or by calculating the assessed Market Value as a proportion of the gross development value. In most markets, experienced valuers with good local knowledge will be aware of such proportions in order to gauge the accuracy of the residual calculation. Typically the better the location of the property, the higher the percentage.

- The analysis and judgments in the valuation must be explained in the report.

2 **The *alternative discounted cash flow method*** for valuing development property, sometimes called the 'dynamic residual method' is more explicit compared to the traditional (static) method in terms of timing of incomes and costs. This method also enables quantification of the internal rate of return. Inputs on the cost side are largely the same as for the traditional method including construction costs, professional and agency fees, the costs of financing the development and, if not reflected in the internal rate of return, developer's profit.

EUROPEAN VALUATION STANDARDS 2025

EVS 2025 AT A GLANCE · EUROPEAN VALUATION GUIDANCE NOTE (EVGN) 2

Valuation for mortgage lending - Prudently conservative valuation criteria

The revised EU Capital Requirements Regulation (CRR) will apply directly across the Union from 1 January 2025. It complements Market Value by a concept of 'property value' based on valuation using ***'prudently conservative valuation criteria'*** by which:

- *the value excludes expectations on price increases;*
- *the value is adjusted to take into account the potential for the current market value to be significantly above the value that would be sustainable over the life of the loan.*

▸ RATIO LEGIS:

At least as far as the valuation of bank collateral is concerned, the European authorities are no longer satisfied with a stand-alone 'Market Value' that they correctly view as a 'spot value' at the date of valuation. They want to 'secure the future' by excluding expected price increases and internalising the potential for future lower market prices/values.

The guidance note

The CRR lays down that in valuation according to 'prudently conservative valuation criteria', ***"the value excludes expectations on price increases"***. EVS 2025's EVGN 2 addresses the issues arising from this in the contexts of:

- *Valuation under the income approach.*
- *Using the direct capitalisation model.*
- *Valuations carried out by means of a DCF model.*
- *Treatment of rental increases.*
- *And the developer's profit in the residual method of valuation.*

The second CRR requirement for appraisal according to 'prudently conservative valuation criteria' is that ***"the value is adjusted to take into account the potential for the current Market Value to be significantly above the value that would be sustainable over the life of the loan"***.

▸ HERE EVGN 2 HIGHLIGHTS ISSUES OF:

- *Assessing the sustainability of the value over the life of the loan.*
- *The impact of oversupply of a particular type of property on prices and value.*
- *The impact on future value of declining population of a given locality and other negative factors changing the surroundings of the real estate.*

#02 The geometric valuation of carbon emissions in transport

Rudolf Diesel

The transport sector is responsible for more than a quarter of the world's greenhouse gas emissions. Its contribution to climate change is increasing faster than that of any other sector. Decarbonisation of transport is a key challenge for the coming decades. Transport is also responsible for a wide range of other negative impacts on people and the environment, such as air pollution, noise, and land use. Transport is also a key sector for economic development and for the well-being and quality of life of people and societies. Transport is a complex system with many interdependencies and feedbacks. Transport policy is a complex and contentious area, with many stakeholders and many different objectives. Transport policy is also a key area for public investment and for regulation. Transport is a key area for innovation and technological change. Transport is a key area for behavioural change and for social change. Transport is a key area for equity and for social justice. Transport is a key area for economic development and for the well-being and quality of life of people and societies.

In this article we review the application of a geometric approach to the valuation of carbon emissions in transport, and to the valuation of other externalities in transport.

1. The challenge of transport policy

Economic assessments are widely based on the idea that the value of something is the amount people are willing to pay for it. Economic theory, based on this conception of value, then says that markets are efficient because they allocate goods and services to those who value them most highly. Markets are said to be efficient because they allocate goods and services to those who value them most highly because they allocate goods and services to those who are willing and able to pay the most for them. Markets are said to be efficient because they allocate goods and services to those who are willing and able to pay the most for them because they allocate goods and services to those who are willing and able to pay the most for them because they allocate goods and services to those who are willing and able to pay the most for them

Ukraine – the new no-fly zone over the Ukrainian sky in the wake of Russian aggression

Oleksii Kharkevych

Ukraine is the new no-fly zone over the Ukrainian sky in the wake of Russian aggression

Ukraine: Who is Ukraine?

Ukraine is a country in Eastern Europe, the second largest in Europe after the Russian Federation. It borders Russia to the northeast, Belarus to the north, Poland to the northwest, Slovakia and Hungary to the west, Romania and Moldova to the southwest, and the Black Sea and Sea of Azov to the south. Ukraine's capital is Kyiv (Kiev). Ukraine's population is approximately 44 million people. Ukraine's ethnic composition includes Ukrainians, Russians, Belarusians, Crimean Tatars, Moldovans, Hungarians, Romanians, Poles, Jews, Bulgarians, Greeks, Crimean Tatars, Russians, Tatars, Karaims, Krymchaks, Armenians, Roma

#06 The plant, machinery & equipment valuer's approach to data gathering – *How it affects value and how the valuer can verify it*

Paulo Caldeira Martins

The technical scope of the equipment and the different technologies involved present continual challenges for the plant, machinery & equipment (PME) valuer. It is common in any industrial unit to find a large group of different specialised equipment and technologies as industry involves increasing technical specificity. Specific individualised manufacturing and performance requirements make it unlikely that the valuer will repeat such specific assessments over the length of a career.

PME valuers must develop a methodology that enables them to use all necessary information available for the analysis and the valuation report.

The valuer is responsible for ascribing a fair value to the subject asset, based on the condition in which it is found. To perform the valuation, the valuer will need all the information required for the report, such as documentary and photographic records, ownership records, technical manuals, technical drawings and blueprints, and must also collect and submit evidence to show that the subject asset is compliant with the relevant regulations. For some equipment, it will be necessary to obtain documentation attesting to the certification and conformity required for its operation:

- Compliance with safety regulations (Machinery Directive)
- Environmental compliance (noise emitted, refrigerant gases used, and debris produced)
- Energy efficiency certificates
- Certificates of compliance with Standards
- Well-organised and up-to-date documentation on file
- When required, attestation of the subject asset's submission for routine maintenance by the company itself, or subcontracted to accredited companies
- When required, attestation that all regular inspections have been carried out
- Certain equipment is subject to operating permits (e.g. fishing permits associated with vessels)

Failure to comply may, in some cases, prevent equipment from operating, meaning that expensive rehabilitation work or even replacement may be necessary.

All these issues create risks for the valuer that need to be mitigated. The valuer must be prepared to approach each item of equipment methodically, to prevent any lack of awareness from jeopardising the valuation process when assessing equipment that may be prevented from operating.

> "This situation will be easier for quality-certified companies, as their own accreditation obligations require them to keep all conformity and compliance records up to date."

Approach

The PME valuer must, in advance, request the documentation required for a document-based valuation that can verify the equipment's operability and conformity.

This situation will be easier for quality-certified companies, as their own accreditation obligations require them to keep all conformity and compliance records up to date.

The valuer must:

- Examine the equipment to be assessed, in person at the site where it operates, and must observe the operational environment for its working conditions
- Prepare a full photographic record for future reference and for submission in the report
- Complete a full identification of the equipment at the site, checking manufacturer's plates, records and serial numbers

Some information can be obtained on the equipment itself, from the manufacturer's plates having a 'CE' marking.

In short:

The approach taken by PME valuers in gathering their initial data will affect the quality of the valuation. This data should ensure that all elements required for a full and accurate identification, document audit and valuation are covered.

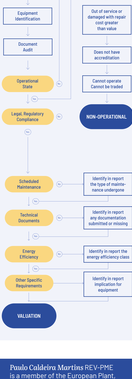
> "PME valuers are not responsible for certifying equipment, but they are for attesting to its operability"

PME valuers are not responsible for certifying equipment, but they are for attesting to its operability, and must request full documentation for the subject equipment to demonstrate its operability, conformity and consequent market suitability.

Since these documents are evidence of the equipment's operability, they must form part of the documentation annexed to the valuation report.

The following simplified flowchart illustrates the proposed approach to data gathering.

Flowchart PME valuation data gathering



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He is a specialist engineer representing the electromechanical core business of the Metropolitano de Lisboa (Lisbon Underground), responsible for projects and works for the rehabilitation of stations and equipment. He also collaborates with ANAI - National Association of Real Estate Appraisers as co-author and trainer of the Course on Valuation of Machines, Equipment, Technical and Industrial Installations, and is co-author of the E-book AMEITI – Machinery, Equipment, Industrial Technical Installations, within the High Value Innovation and Sustainability programme, promoted by ANAI.

#07 Cross disciplinarity in complex valuation projects

Dana Abaibei

Cross-disciplinary approaches in valuation projects increasingly integrating knowledge and methods from various fields to estimate the value of assets or investments more comprehensively and accurately. Some key aspects are:

1. **Economic and Financial Analysis**: Traditional valuation methods rely on financial analysis, including discounted cash flows (DCF) comparable company analysis, and precedent transactions. Understanding economic principles helps in interpreting market trends and financial metrics.
2. **Legal Considerations**: Legal expertise is crucial in valuation, especially for understanding intellectual property rights, regulatory compliance, and contract terms that might impact the value.
3. **Engineering and Technical Assessments**: For valuing physical assets like machinery or real estate, engineering analysis can provide insights into the condition, efficiency, and potential future costs related to the asset.
4. **Market Research**: Insights from market research can help in understanding consumer behaviour, market demand, and competitive dynamics, which are essential for accurate valuations.
5. **ESG Factors**: Sustainability and social impact can influence the perceived value of an asset or company.
6. **Behavioural Science** can help in understanding investor psychology and market behavior, which might affect valuations, especially in speculative markets.

The leveraging of expertise from these and other fields can achieve a more nuanced and accurate estimation, addressing multiple dimensions of value that might be overlooked by a single-discipline approach.

In my opinion the way to survive the crises that periodically affect our profession is by practicing cross disciplinarity in valuation projects, taking account of the six aspects described above and of the relationship between valuation disciplines: Real Estate Valuation - Plant, Machinery and Equipment Valuation - Business Valuation.

The valuation standards help us to better understand what every valuer does and should do to deliver a quality valuation report and grasp the relationship between valuation disciplines. Schematically, the division of labour is generally as in the table below:

Type of market value estimation work	Knowledge needed
Apartment, house, land for house	Basic real estate valuation knowledge - technical and market knowledge skills
Individual machine (vehicle, agricultural equipment...)	Basic machinery&equipment valuation knowledge - technical and market knowledge skills
Going concern of a business (real estate and machinery) (inn/tea shop, barber shop...)	Basic business valuation knowledge, business valuation market knowledge skills
Complex real estate property (hotels&resorts, gas stations, fast food restaurants, assisted living facilities...)	In-depth real estate valuation knowledge, business valuation knowledge, market knowledge skills
Business that includes real estate and machinery and equipment	In-depth business valuation knowledge, real estate valuation knowledge, machinery&equipment valuation knowledge and possibly intangible asset valuation knowledge
An entire plant	In-depth machinery&equipment valuation knowledge, business valuation knowledge, real estate valuation knowledge, intangible asset valuation knowledge and financial instruments valuation knowledge

A qualified valuer has two ways to upskill - choosing to be a specialised expert or an integrator:

a. **Deepening specific skills for the valuation of a single kind of asset** – but that only works if the targeted market is big enough to provide sufficient work even for the best in the field!
b. **Learning new skills** - giving access to new types of work!

Complex properties provide great scope for both skills. Individual valuers can rarely issue a valuation report for a complex property by themselves. Even if they have the knowledge, they are unlikely to be able to do all the work of valuation and valuation within the same time frame as a team. But a valuer who is also the contractor of complex work will be responsible for all of it and will need to understand what each team member is delivering.

The best team composition in the valuation profession comes from matching experts from various disciplines: RV, RE, P&E so as to identify potential blind spots and mitigate biases in analysis and help ensure that all relevant factors are considered, leading to a more accurate and reliable valuation.

> *"a valuer who is also the contractor of complex work will be responsible for all of it and will need to understand what each team member is delivering."*

A major skill of the integrator is the capacity to choose specialists, assessing and documenting the extent and suitability of their knowledge and ability for the valuation project. Relevant factors may include:

a. Experience in the type of work performed
b. Professional certification or licence in the particular field
c. Reputation and standing in the particular field

The integrator's skill includes understanding the specialist's process and findings and evaluating the specialist's work. Fulfilling that task requires that the specialist - in-house or external - furnish enough information to enable the integrator to check compliance with valuation standards.

An integrator should be the team leader having the knowledge and skills to:

- Understand the complexity of the project
- Select the team members to cover all the valuation specialities needed
- Set the scope of work and tasks for each team member
- Understand what each team member is doing
- Correlate the work results among the team members
- Coordinate team work timing, interfaces, terminology, and compliance with standards
- Name an assistant to help in reviewing the whole work
- Conduct the discussions with clients

A specialist team member in complex projects should have the knowledge, skills and experience to:

- Understand the scope of her/his work and the requirements of the project
- Contribute to defining the processes and developing the procedures
- Understand the interfaces with other team members and with the team leader
- Correlate with other team members
- Use the formats and terminology set by the team leader
- Work professionally and fulfill the duty of care
- Participate in creating an adequate working environment

A **specialist** or a **service organisation** may be used to obtain either data or objects. The integrator, however, remains ultimately responsible for using data and inputs appropriate for the valuation.

The responsibility for the performance of individual functions within the valuation project may vary depending on organisational structure, but the assignment of responsibilities must be documented and reviewed periodically to ensure that the accountability for the execution of all components is clearly assigned. In short, cross-disciplinarity is not only the condition of excellence in most complex projects, it is also a breeding ground for high skill valuation work for both specialists and integrators.

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