

Study

Review of External Market Valuations of Properties Located Abroad

HypZert Professional Group 'International'

As at: November 2011

The study including all of its parts is protected by copyright. Any unauthorised use outside of the strict limitations of the copyright law without the consent of HypZert GmbH is prohibited and liable to prosecution. This applies in particular to reproductions and translations, microfiching and to the storage and processing on electronic media.

The authors have produced the study with the greatest of care, but assume no liability for the topicality, correctness, completeness or quality of the study. Insofar as the study makes statements to legal matters, it doesn't replace a specific legal counselling for the individual case. Any claims arising against the authors or HypZert GmbH are excluded, insofar as the authors and HypZert GmbH have not been intentionally or grossly negligent or are responsible for personal injury or damage to health.



Table of Contents

Foreword	5
1 Instruction of External Market Valuations	7
2 Property Inspection	9
3 Review of Market Valuations	11
3.1 Content of an instruction letter to an external foreign valuer	11
3.2 Drafts	13
3.3 Location and site criteria	13
3.4 Building-specific data	18
3.5 Valuation methods	19
3.6 Value justifications	20
4 Green Building/Sustainability Criteria for Real Estate	23
5 Conclusion	25
6 Appendices	27
Appendix 1 – Sample instruction letter	27
Appendix 2 – Determination of Areas	35
Belgium	35
Denmark	36
France	37
United Kingdom	40
Netherlands	42
Austria	43
Poland	44

Table of Contents

Sweden _____	45
Spain _____	45
Switzerland _____	46
Hungary _____	48
USA _____	48
Appendix 3 – Purchaser’s costs _____	52
Belgium _____	52
France _____	52
United Kingdom _____	52
Luxembourg _____	53
Netherlands _____	53
Austria _____	54
Poland _____	54
Switzerland _____	56
Czech Republic _____	59
Hungary _____	59
USA _____	61
Appendix 4 – Determination of the mortgage lending value under BelWertV on the basis of foreign valuations _____	62
Sources _____	71



Foreword

HypZert sets benchmarks – Germany’s leading personal certification body for real estate valuers in the financial industry.

Anyone investing in or financing real estate requires a well-founded basis for their decision: a competent and transparent real estate valuation prepared by a valuer with a recognised qualification and continuous further training. Both are guaranteed at HypZert GmbH. This certification body for umbrella organisations within Germany’s financial industry has been certifying real estate valuers in line with the ambitious and internationally accepted criteria of Norm ISO/IEC 17024 since 1996. These standards guarantee a maximum of comparability and transparency in the real estate markets.

Much is expected from the administrative and technical professionals aspiring to certification by HypZert: a higher training standard, professional work, many years of practical experience, continual compliance with professional principles and financial expertise, as well as the passing of a very demanding examination.

HypZert has since grown into an extensive network for real estate valuers at national and international level. Experts can exchange information on specialist real estate valuation issues and discuss, expand and publicise their specialist knowledge in HypZert professional groups.

The professional groups already established, *‘Social Property’, ‘Hospitality Industry’, ‘Retail’ and ‘International’, have now been joined by ‘Energy & Environment’, ‘Logistics’ and ‘Agriculture’*. Members of these professional groups have extensive knowledge in their respective specialist fields, which they have gained from their professional experience, and have built up a library of results which is available to all HypZert valuers and other interested practitioners.

The professional group ‘International’ has the following members:

- Dipl. Ing. (FH) Petra Dietrich MRICS;
- Dipl.-Ing. (Univ.) Monika Preithner MRICS;
- Dipl.-Ing. Univ. Kilian Königsberger MRICS;
- Torsten Kreibitz, Bauing. FR Hochbau;
- Dipl.-Ing. (TU) Jan Bärthel MRICS;
- Mark Veit, holder of a banking diploma

The group was founded in Spring 2007 and since then, has worked intensively with issues relating to the valuation of real estate located abroad. In addition to the 'Einführung im Bewertungsmethodik des DCF-Verfahrens' [Introduction to the DCF Valuation Methodology] study published in August 2008, a study 'Zeitreihen für Renditen & Bonds' [Times Series for Yields & Bonds] carried out in 2009 examined and presented links between selected interest rate series and the types of property yields in selected countries.

A further focus of activity has been an investigation of the instruction and review of external market valuations.

The study which follows should provide valuers with suggestions and support in the processing/review and assessment of external market valuations. Further support for reviews of external valuations can also be drawn from country reports published by vdp, the updated interest rate series and property yields as well as additional specialist information.

The objective of the study is to highlight the importance of the critical analysis of external market valuations, particularly since the onset of the real estate crisis in 2008, and of the review of contents for transparency and conclusiveness.

The professional group 'International' recognises that a review of a valuation report is not a 'new' market valuation. It is more important to check whether the external market value still lies within a tolerable range from a valuer's perspective.

Your HypZert Professional Group 'International'