alstria office REIT-AG Bäckerbreitergang 75 20355 Hamburg

IVSC
41 Moorgate
LONDON EC2R 6PP
United Kingdom

07 January 2013

Re: Discussion Paper; Valuation of Investment properties

Dear Sir/Madam,

We are pleased to submit this comment letter on the International Valuation Standards Council (IVSC) Discussion Paper; Investment properties. We are submitting these comments on behalf of alstria office REIT-AG, which is the second largest German listed commercial property company. alstria is listed at the Frankfurt stock exchange, and is included in the SDAX, EPRA index.

Senior management of alstria would be pleased to meet with the Boards or staff to discuss any questions regarding our comments.

We thank IVSC for the opportunity to comment on the Boards' preliminary views with respect to this very important project. Please contact Olivier Elamine, Chief Executive Officer of alstria (oelamine@alstria.de or +4940226341330) if you would like to discuss our comments.

Kind regards,

Olivier Elamine
Chief Executive Officer
alstria office REIT-AG

Comment Letter Submitted by the
alstria office REIT-AG

In response to the
Discussion Paper
Valuation of investment properties
Issued by the International Valuation Standards Council

alstria office REIT-AG Bäckerbreitergang 75 20355 Hamburg

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Re: Discussion Paper; Valuation of Investment properties

Dear Sir/Madam,

Introduction to alstria

alstria office REIT-AG (symbol: AOX, ISIN: DE000A0LD2U1), is an internally managed Real Estate Investment Trust (REIT) focused solely on acquiring, owning and managing office real estate in Germany. alstria is listed at the Frankfurt stock exchange and is the second largest commercial property company in Germany.

alstria owns a portfolio of more than 85 German office properties valued at more than EUR 1,6 billion. alstria office REIT-AG is a member of the European Public Real Estate Association, and fully supports the comments EPRA made in their answer to the discussion paper.

We have outlined in this letter our responses to the questions raised by the board in its discussion paper.

1 **Do you think that the current definition should be retained in full or that an amendment to the definition in IVS 233 is required?**

We do share the view that the current definition is driven by accounting principle. In particular we would argue that b) could be deleted from the definition as these assets could be valued in the same fashion than any other Investment Property.

3 **If you believe an alternative definition is warranted, please give reasons and suggest appropriate wording.**

We believe the following wording would be appropriate:

An Investment Property is a property that is a land or building, or part of a building, or both, held by the owner to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes.

This definition makes a clear distinction between an investment property and an owner occupier property.

4 **Have you encountered valuations that explicitly refer to intangible assets associated with either the property interest or the business in occupation? If so, were these separately valued or not? For what purpose was the valuation required?**

5 **Have you encountered valuations of investment property where you believe that the value of an intangible asset has been included in the value of the property interest but has not been expressly identified?**

6 **Do you consider that the IVSC needs to provide guidance on this issue?**

We do not believe that the IVSC should provide any guidance with respect to this issue, as it can be very specific to the property itself and any general guidance will fall short of the specific of the situation.

It should be part of the valuer professional judgment and expertise to be able to assess whether or not the intangible asset would be valued as part of the property or separately in an arms lengths transaction between a buyer and a seller.

However if the board nevertheless decides to provide guidance, than we believe that the distinction should be as follow:

If the intangible asset is linked to the nature of the seller (for example he delivers a central reservation service, that a regular real estate investor would not be able to provide), than the intangible should be valued separately.

If the intangible is independent from the nature of the seller (i.e. any other owner would benefit from the asset), or can be transferred with the asset, than the intangible should not be separated from the asset.

7 **Which of these options do you favour or is there another option that you would suggest?**

We would support the option of producing a new standard, merging the two existing ones.

8 **Do you consider the provisions of IVS 230 and IVS 233 in relation to valuation methods to be sufficient?**

9 **If not, what specific aspects of valuation methodology for investment property do you think should be addressed in any future TIP?**

In principle we do believe that the current provisions are sufficient. However we would like the standard to specifically mention that in a case of the valuation of an Investment Property which was recently acquire or sold, in the open market, the value of such property cannot be materially different than the price achieved in the open market. (i.e. there should not be unjustified immediate revaluation gains).

10 **Please indicate which of the above most frequently presents a problem in the valuations that you encounter and the most common methods you see being used to address the issue.**

We never encountered any specific issue when valuing a property with respect to any of the items mentioned. In principle we rely on the professional input of the valuer to achieve a reasonable valuation based on a set of assumption. We would clearly not want the IVSC to explain what is and how is compounded a discount rate.

With respect to the item c), we believe that if a property cannot be sold independently from another asset, then it should in turn not be valued independently as you would never be able to achieve a transaction in the open market.

13 **Have you encountered material inconsistency in the approach adapted to the treatment of costs or tax in valuations of investment property? If so please indicate the nature of the inconsistency and its consequences.**

We have encountered in certain jurisdiction inconsistencies in the valuation approach where the value assumes that in order to avoid transfer tax; it is the company which owns the asset that will be sold and not the asset itself. However when doing this, the valuer usually ignores to fully consider the impact of the sale of company which might impact the value of the transaction (latent capital gain, other liabilities…).

14 **Do you consider that the IVSC should attempt to set benchmarks that indicate whether inputs and valuations should include or exclude different types of tax or other costs? If so, which specific benchmarks would you consider appropriate?**

We believe the IVSC should be looking strictly at the sale of the asset, and the value of the asset should reflect the net cash proceed for the buyer. Considering the different tax treatment in different jurisdiction, it is unrealistic to be in position to provide guidance on tax treatment.

15 **Do you consider that an opinion on where the inputs used in a valuation of investment property fall within the input hierarchy under IFRS (or any other accounting standard that contains a similar hierarchy of inputs) should be provided as part of the valuation report?**

16 **If so what guidance should the IVSC be providing to enable valuers to comply with the requirements of IFRS 13 in relation to disclosures on inputs?**

No, we believe this should be done by the preparer of the financial statement.

17 **Do you agree that not all investment property is capable of reliable valuation? If so please give any additional examples to those above.**

18 **Please indicate the nature of guidance that you believe IVSC could usefully provide to help determine when a valuation cannot be reliably provided.**

We strongly disagree with this point. If the property is not capable of reliable valuation, it is likely that it does not fit in the definition of an investment property. Uncertainty of income, risk of development, and special nature of assets can all be priced in any given circumstance (whether the owner likes the result is another question).

With kind regards,

Olivier Elamine
Chief Executive Officer
alstria office REIT-AG