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Berlin, 15.08.2017

IVSC Agenda Consultation 2017

Dear Madam or Sir,

IVS Agenda Consultation

Dear Madam or Sir,

The German Property Federation (ZIA) represents the whole property sector along its entire value chain and speaks for the interests of planners, developers, construction companies, operators, real estate portfolio holders, brokers, consultants, valuers and service providers in all property-related issues. Numerous associations of the property and finance industry have combined together under ZIA's umbrella.

ZIA ranks among the sector's most important stakeholder groups. It is the strong voice of the property industry and fosters the dialogue with its members, which include more than 20 associations, representing 37,000 companies in the sector.

The sector's most important companies are represented in ZIA's committees. The concentration of this expertise enables ZIA to act in a consultancy capacity by offering comprehensive know-how and information to politicians and the public. ZIA possesses special expertise in the area of finance and tax policies. The organization is characterized by its strong capital market orientation. Due to that orientation we concentrate on issues which could have an impact on the relatively high stability of our real estate markets. The German real estate market is the most important European market and we would like to stress that it acts as a role model: German real estate is financed most conservatively.

In our view the relatively high stability of the German real estate markets is based on the financing systems with long term and fixed rate loans which are refinanced via the Pfandbrief. The Pfandbrief contributes to the stability of the whole system through its own stability. This is why we also have a closer look on methods and standardization in regard to the valuation of properties and real estate companies. Therefore, we are grateful for the opportunity to make some remarks to the IVS Agenda Consultation.

VR 25863 B (Berlin-Charlottenburg)

1. Comment on IVS Gap Analysis

Question 1: Do you agree with the current categorization and timings of the topics contained in the gap analysis and if not why?

We strongly support the categorization and timing especially in regard to the topic "Discount rates" and to the discussion paper on "Price vs. Value".

We are also very interested in the discussion **on sustainability issues** - especially in regard to properties. We would suggest to give that topic a higher priority because we believe that market participants will ask for sustainability premiums in less time than 5 years from now on.

Question 2: Are there any other topics which you believe should be included or deleted from the IVS gap analysis and if so why?

Our members reported uncertainties in regard to the valuation of share deals and **portfolios of properties**. In the valuation of big portfolios one question in regard to premiums on top of the sum of the all property values is always discussed. That's why we would like to raise this topic.

Additionally, it would be helpful to give more advice in regard to **valuations of share deals** which are structured as SPV's and have only investment properties as assets and on how to find a fair value of the structure which is only chosen due to tax or regulation requirements.

2. Chapter 2

Regarding **discount rates** we believe that a comparable approach of the valuation methods of companies and properties is needed and therefore we would appreciate more guidance for CAPM Methods for valuation of investment properties.

In practice, we see a lot of different approaches in the use of CAPM. Due to the high impact of valuation methods and their results on balance sheets of property companies, funds or other investment vehicles and the resulting high impact on financing and prices, we strongly suggest a standardization on CAPM practices.

We would be pleased if you could take these arguments into account in the on-going process. If any further queries should arise, please do not hesitate to contact us.

With kind regards,



Sabine Georgi