Valuation - the lifeblood of the market - but is it enough?

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Why is a vibrant property profession important to society?

• 60% of a nation's wealth
• 60% of all utilised materials used in Construction
• 60% of energy used on heating and servicing buildings
• 40% of carbon emissions emitted from Buildings
• 10% of workforce employed in the sector
What is the value proposition

- Public benefit
- Market efficiency
- Externalities
- Pareto optimality

Standardisation

1. Division of labour
2. Limits ‘time stealers’
3. Reduce risk
Hernando De Soto – “The mystery of capital”

Capital Creation–
► “Capital is not created by money; it is created by people whose property systems help them to cooperate and think about how they can get assets they accumulate to deploy additional production”

Hernando De Soto – “The mystery of capital”

Fungiability
► “If standard descriptions of assets were not readily available, anyone who wanted to buy, rent or give credit against an asset would have to expend enormous resources comparing and evaluating it against other assets- which would also lack standard descriptions.”
Market Value

Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

CROSS BORDER ACTIVITY: Year to Dec 2014

Inward Investment strong from all regions

<table>
<thead>
<tr>
<th>NET INVESTMENT FLOWS INTO EUROPE</th>
<th>NET FLOWS (BILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH AMERICA TO EUROPE</td>
<td>€9.9 B</td>
</tr>
<tr>
<td>SOUTH AMERICA TO EUROPE</td>
<td>€45.0 B</td>
</tr>
<tr>
<td>MEA TO EUROPE</td>
<td>€12.5 B</td>
</tr>
<tr>
<td>APAC TO EUROPE</td>
<td>€9.9 B</td>
</tr>
<tr>
<td>TOTAL GLOBAL NET FLOWS TO EUROPE</td>
<td>€151.1</td>
</tr>
<tr>
<td>EUROPE TO EUROPE</td>
<td>€171.3</td>
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</tbody>
</table>

*Deals $5M+; totals may not add due to rounding. Includes JV activity.

Source: C&W Capital Markets, RICS
Where to now?

► Financial Stability
► SEC
► Fair Value
► RICS – AICPA – ASA
► Long Term Value, Future Value,

framework within the Rules of Conduct so that the users of valuation services can have confidence that the valuation of a RICS Member is consistent with IVSC internationally recognised standards”.

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So - Where is the valuation world going?
Thank you for listening.