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European Property Market - 2011

Valuing in Uncertain Times

Robert Mayhew FRICS

RICS Europe World Region Board Member

Director, Jones Lang LaSalle



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Agenda

1. **European Market Overview**
2. **The Red Book - application of a global standard**
3. **Valuer Registration Scheme**
4. **Reflecting Certainty in Valuations**
5. **Professional Indemnity Insurance**



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European Markets Trends

Q3 2011



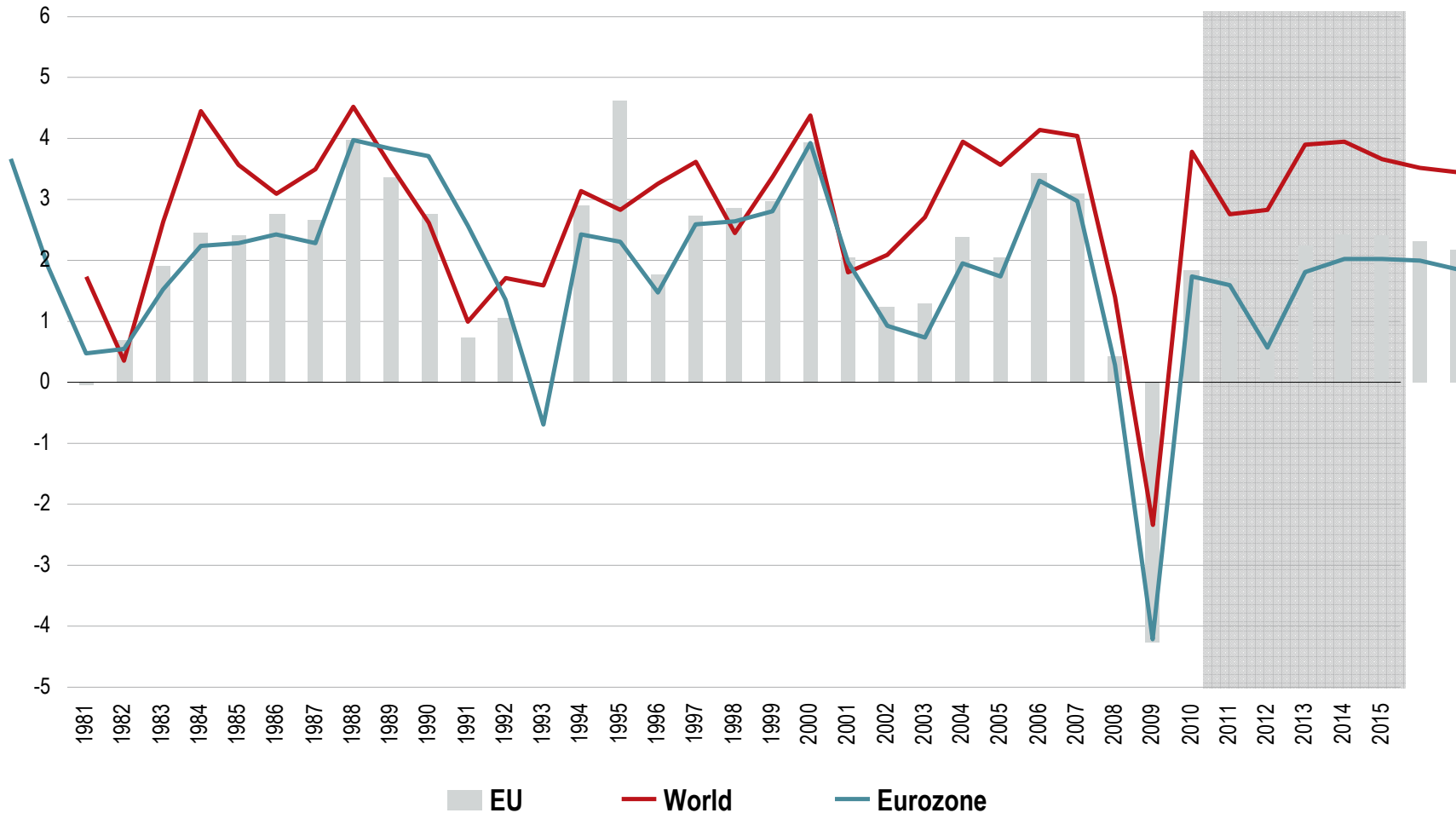
Drivers



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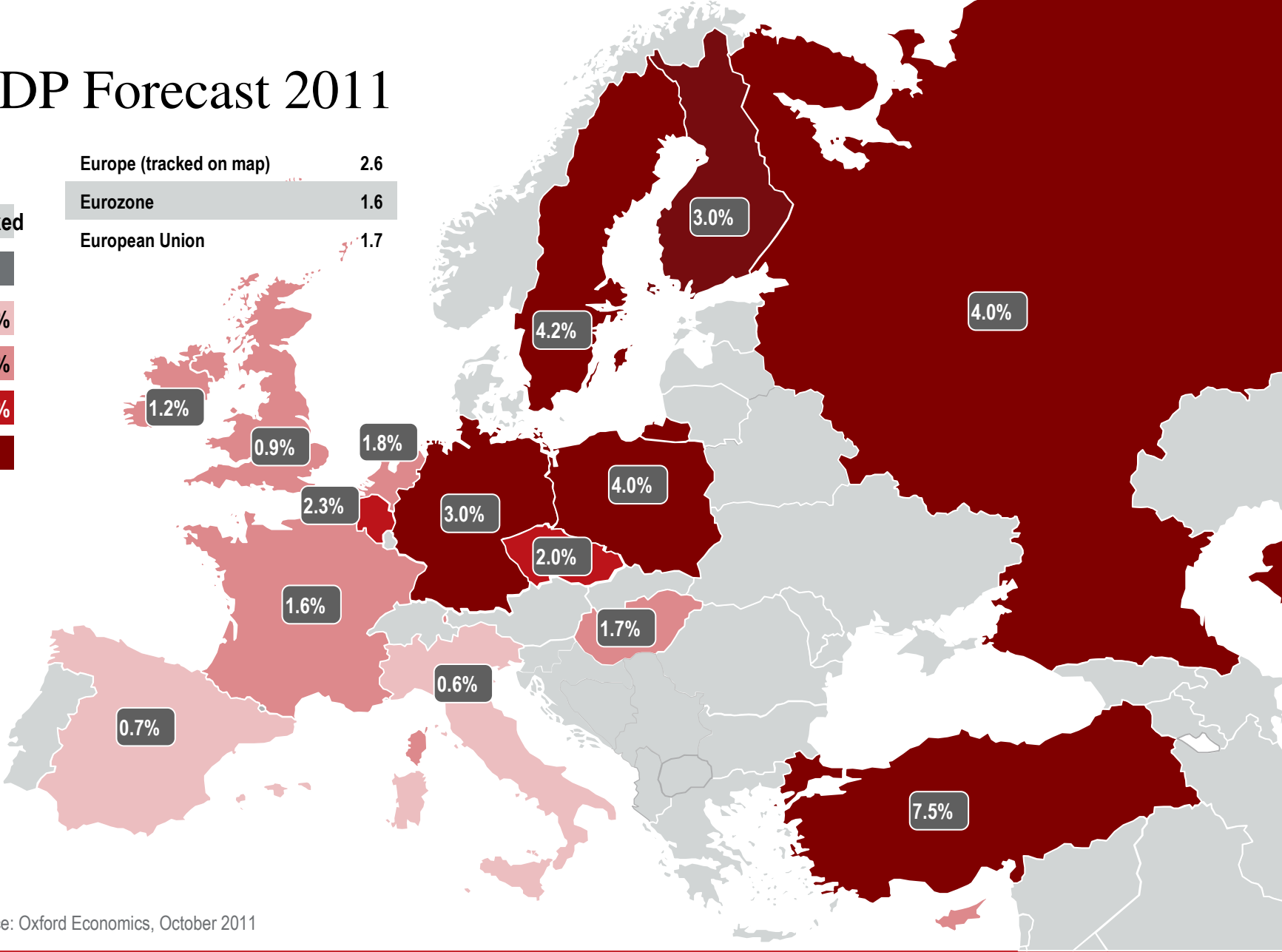
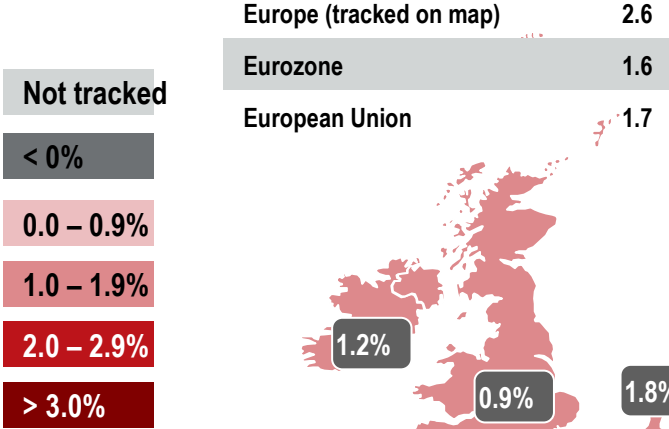
Recovery Falters In 2012

GDP % YoY 1981-2015



Source: Oxford Economics, October 2011

GDP Forecast 2011

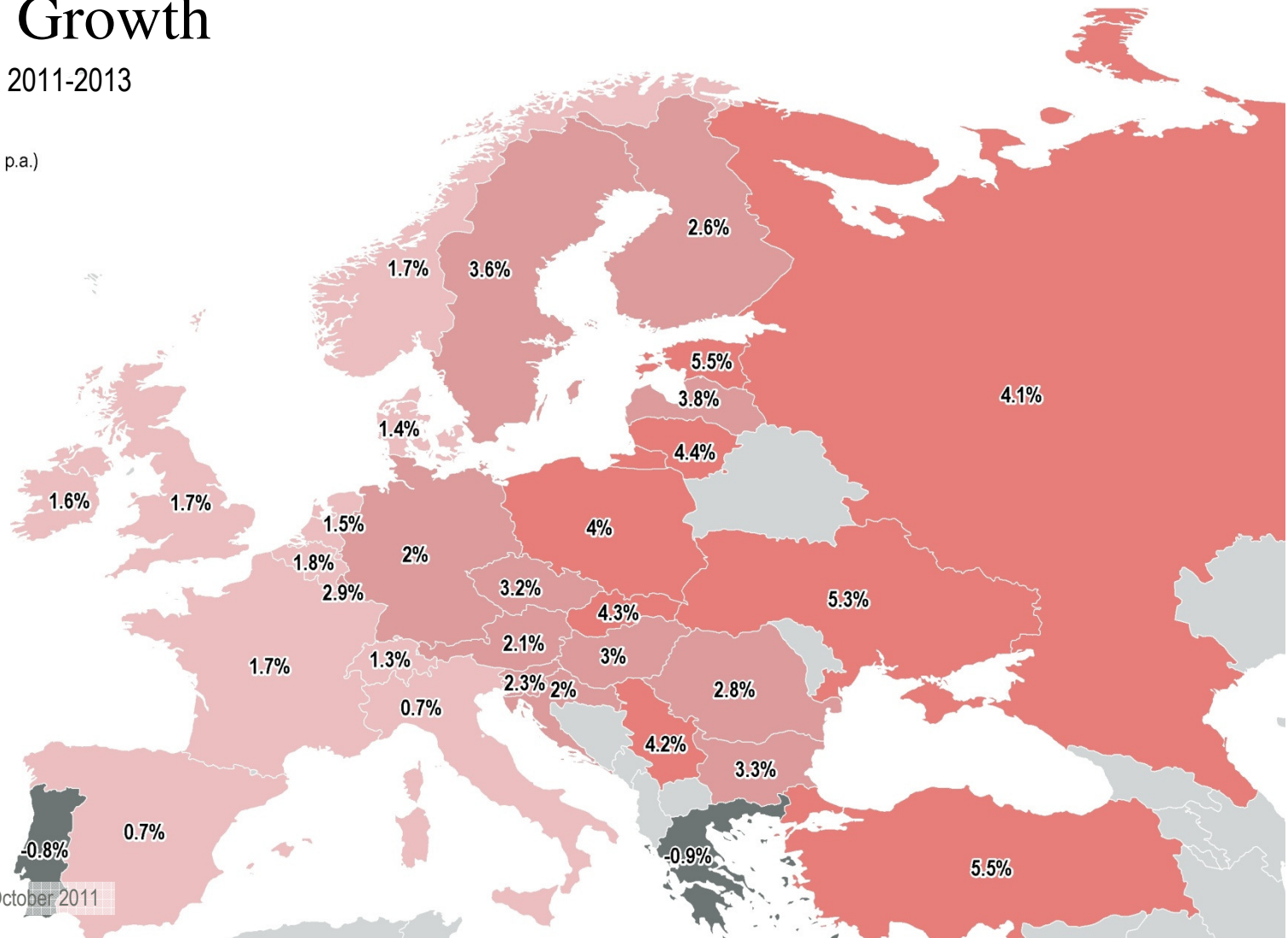
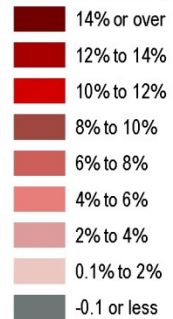


Source: Oxford Economics, October 2011

Most Countries Forecast To See Moderate To Robust Economic Growth

GDP Growth Forecast 2011-2013

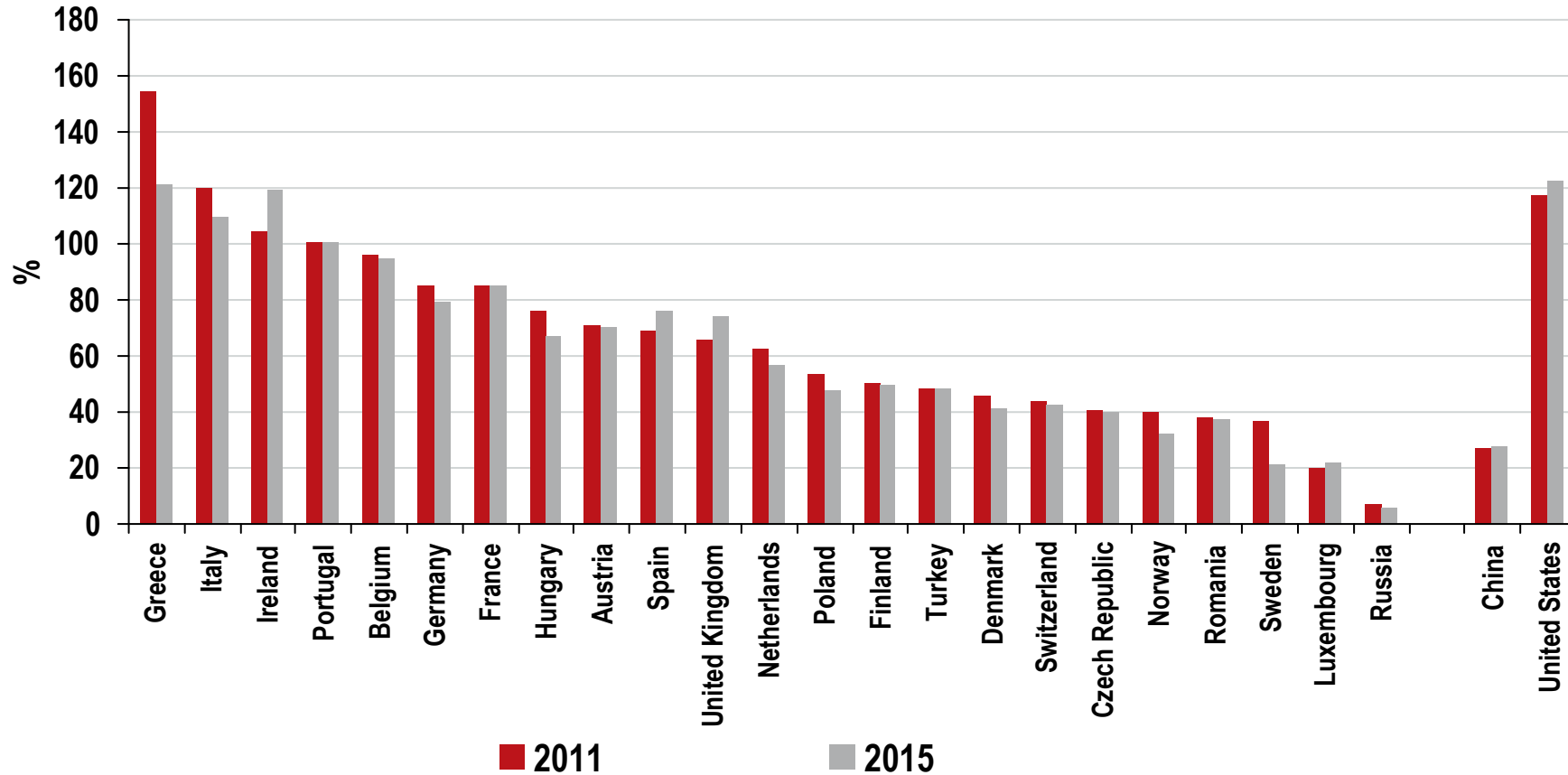
Real GDP
Growth Forecast 2011 - 2013 (% p.a.)



Source: IHS Global Insight, October 2011

Sovereign Debt Remains Issue

Government Total Debt as % of GDP



Source: Global Insight, October 2011

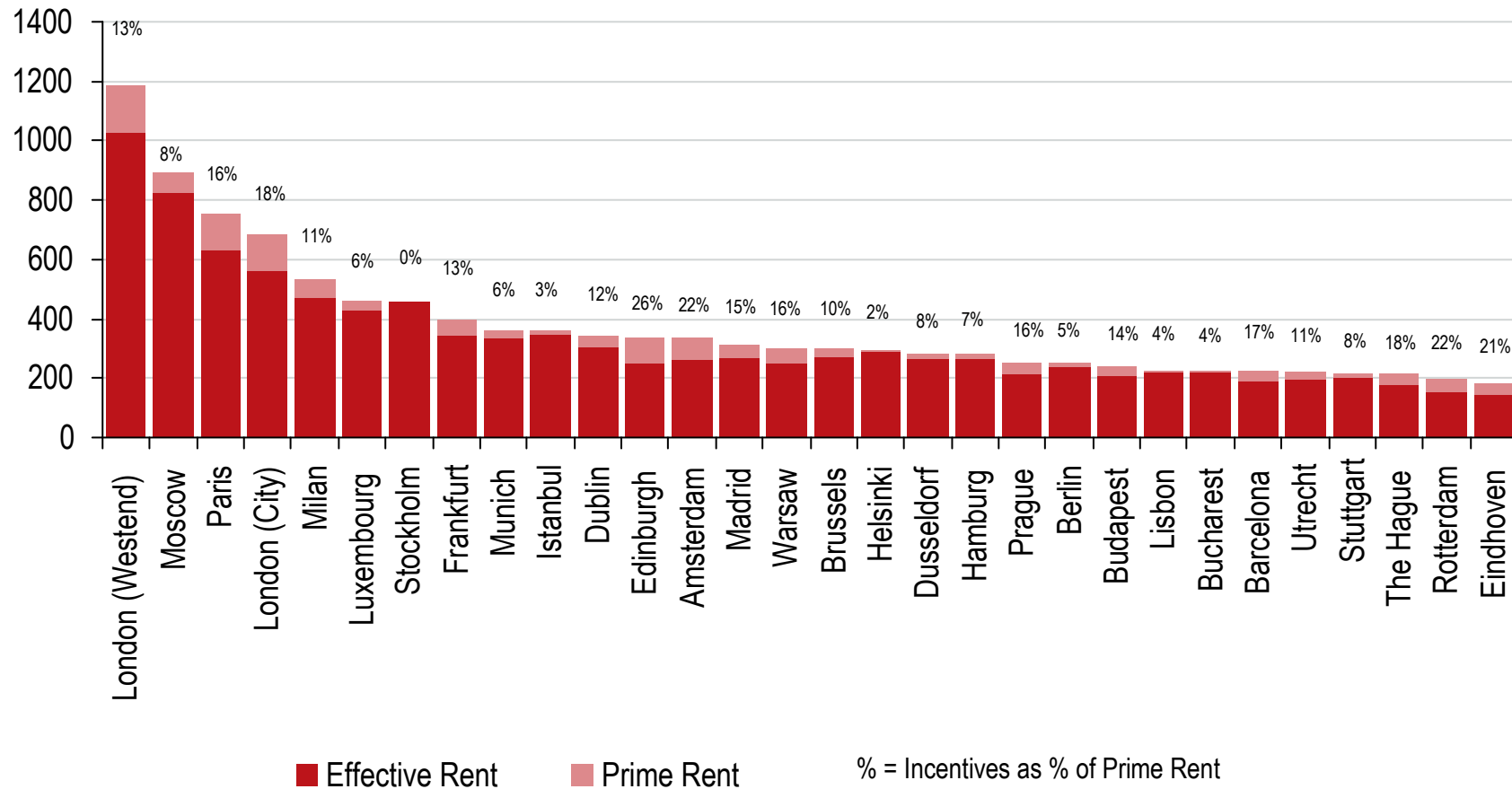
Occupier demand



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Office Prime Rents & Effective Rents 2011 Q3

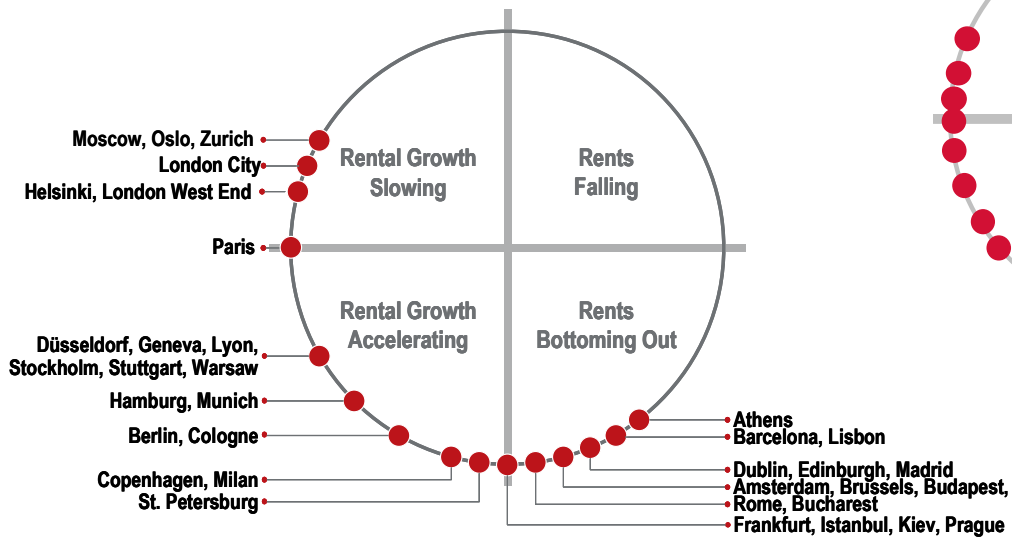
Rent
EUR/m² pa



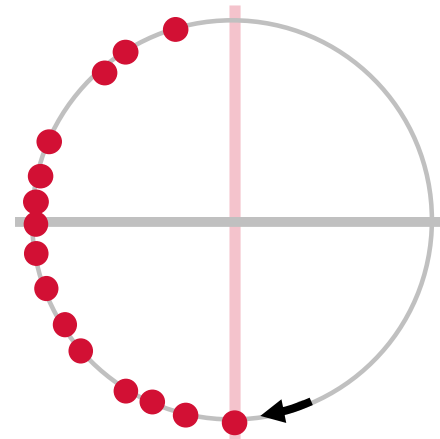
Source: Jones Lang LaSalle, October 2011

Office Rental Clock Evolution

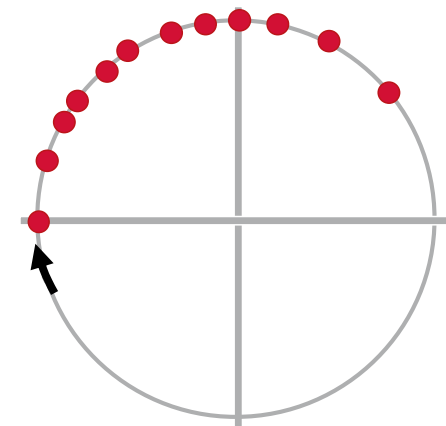
Q3 2011



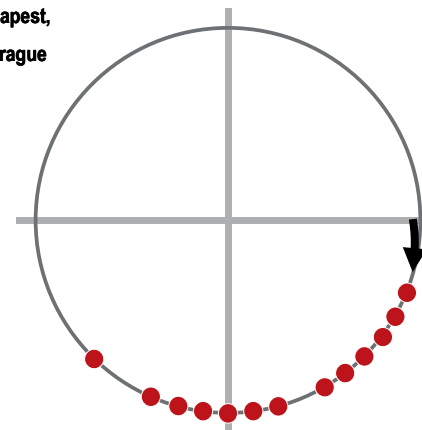
Q3 2007



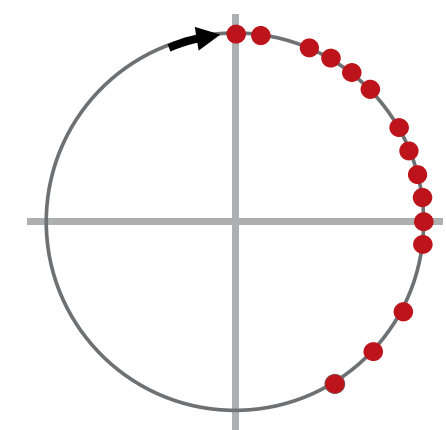
Q3 2008



Q3 2010



Q3 2009

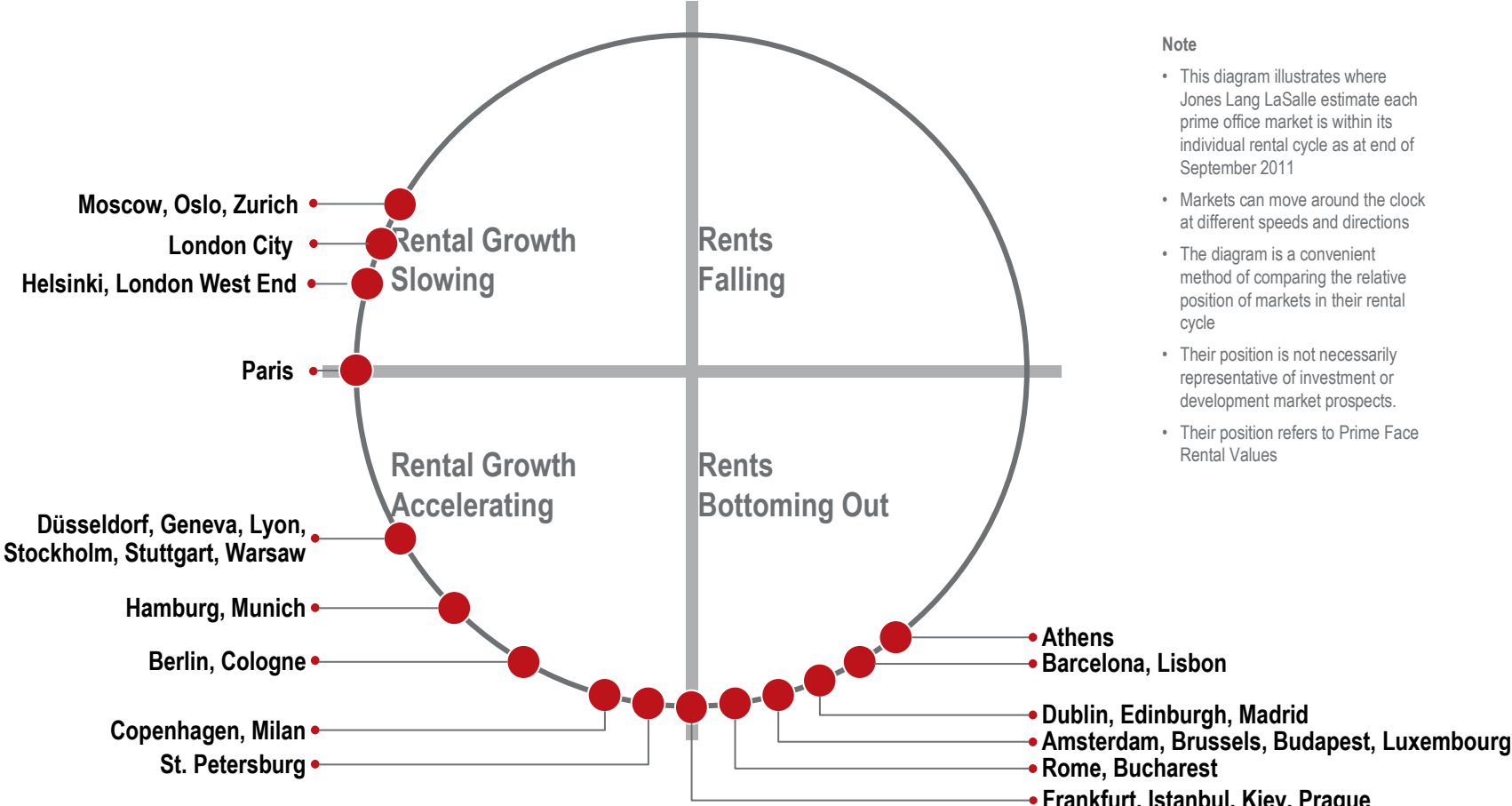


Note: This diagram illustrates where Jones Lang LaSalle estimate each prime office market is within its individual rental cycle as at end of the respective quarter; Markets can move around the clock at different speeds and directions; The diagram is a convenient method of comparing the relative position of markets in their rental cycle; Their position is not necessarily representative of investment or development market prospects; Their position refers to Prime Face Rental Values

Source: Jones Lang LaSalle, October 2011

European Office Property Clock Q3 2011

The Jones Lang LaSalle Property ClocksSM

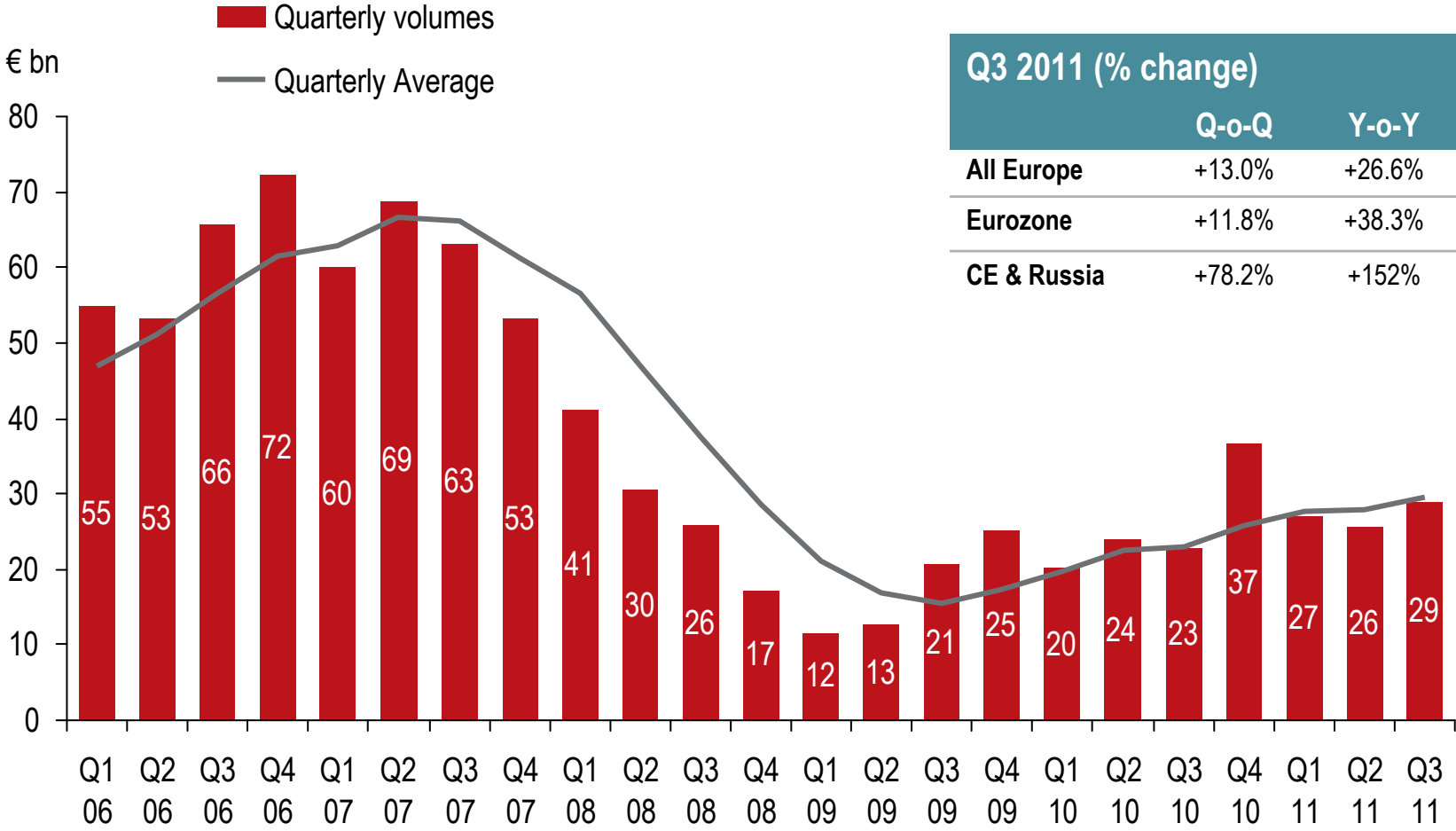


- Note**
- This diagram illustrates where Jones Lang LaSalle estimate each prime office market is within its individual rental cycle as at end of September 2011
 - Markets can move around the clock at different speeds and directions
 - The diagram is a convenient method of comparing the relative position of markets in their rental cycle
 - Their position is not necessarily representative of investment or development market prospects.
 - Their position refers to Prime Face Rental Values

Source: Jones Lang LaSalle IP, October 2011

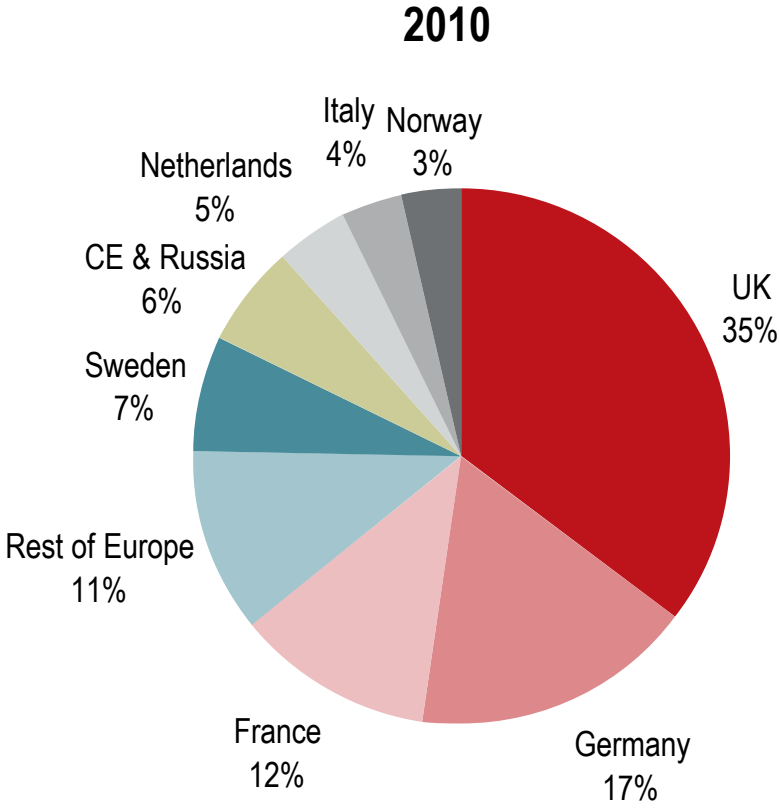
Investment Volumes and Investment Performance

European Direct Real Estate Investment Volumes; Quarterly

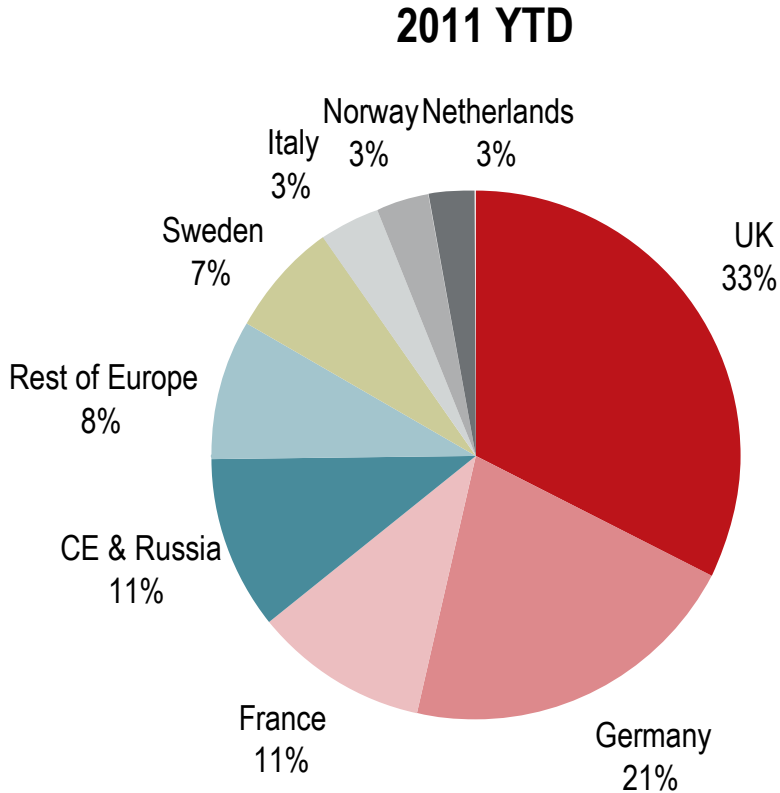


Source: Jones Lang LaSalle; Property Data (UK); Akershus Eiendom (Norway), Athens Economics (Greece), Sadolin & Albaek (Denmark), RCA Analytics, October 2011

Destination of Capital; 2010 vs 2011 YTD



Total: €103.6 bn



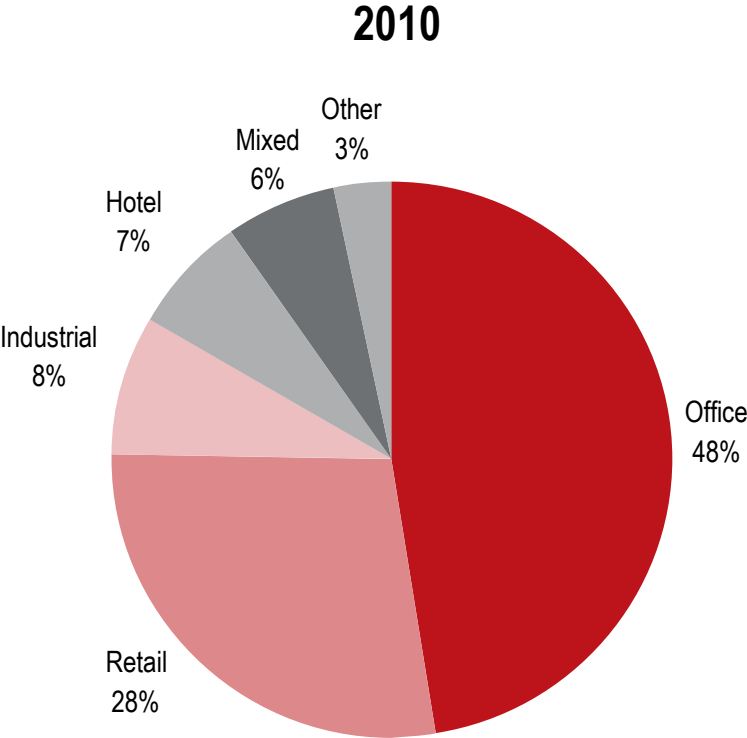
Total: €81.4 bn

Source: Jones Lang LaSalle; Property Data (UK); Akershus Eiendom (Norway), Athens Economics (Greece), Sadolin & Albaek (Denmark), RCA Analytics, July 2011

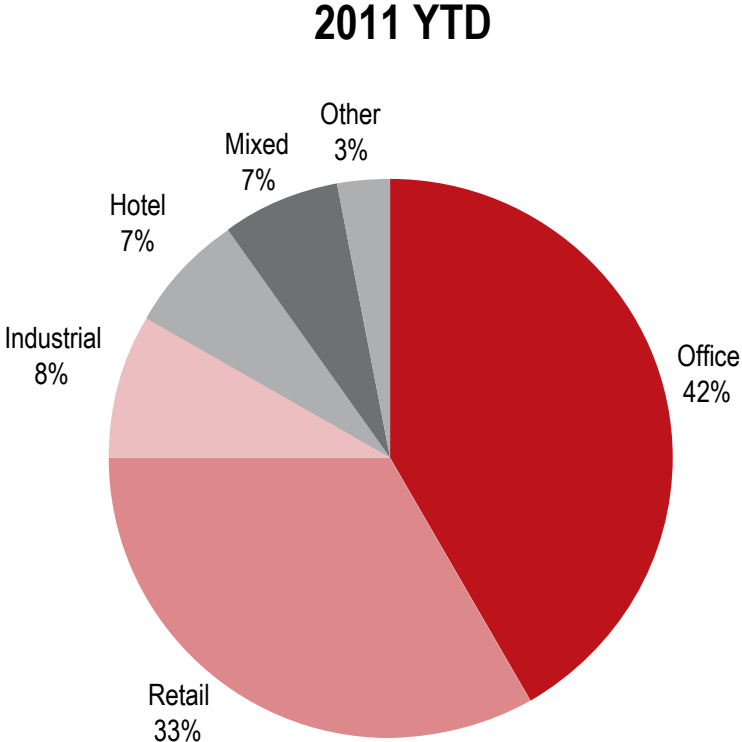
CE & Russia includes Czech Republic, Hungary, Poland, Romania, and Russia



Investment Volumes by Sector



Total: €103.6 bn



Total: €81.4 bn

Source: Jones Lang LaSalle; Property Data (UK); Akershus Eiendom (Norway), Athens Economics (Greece), Sadolin & Albaek (Denmark), RCA Analytics, October 2011

European Average Prime Yields



Source: Jones Lang LaSalle, Thomson DataStream, October 2011

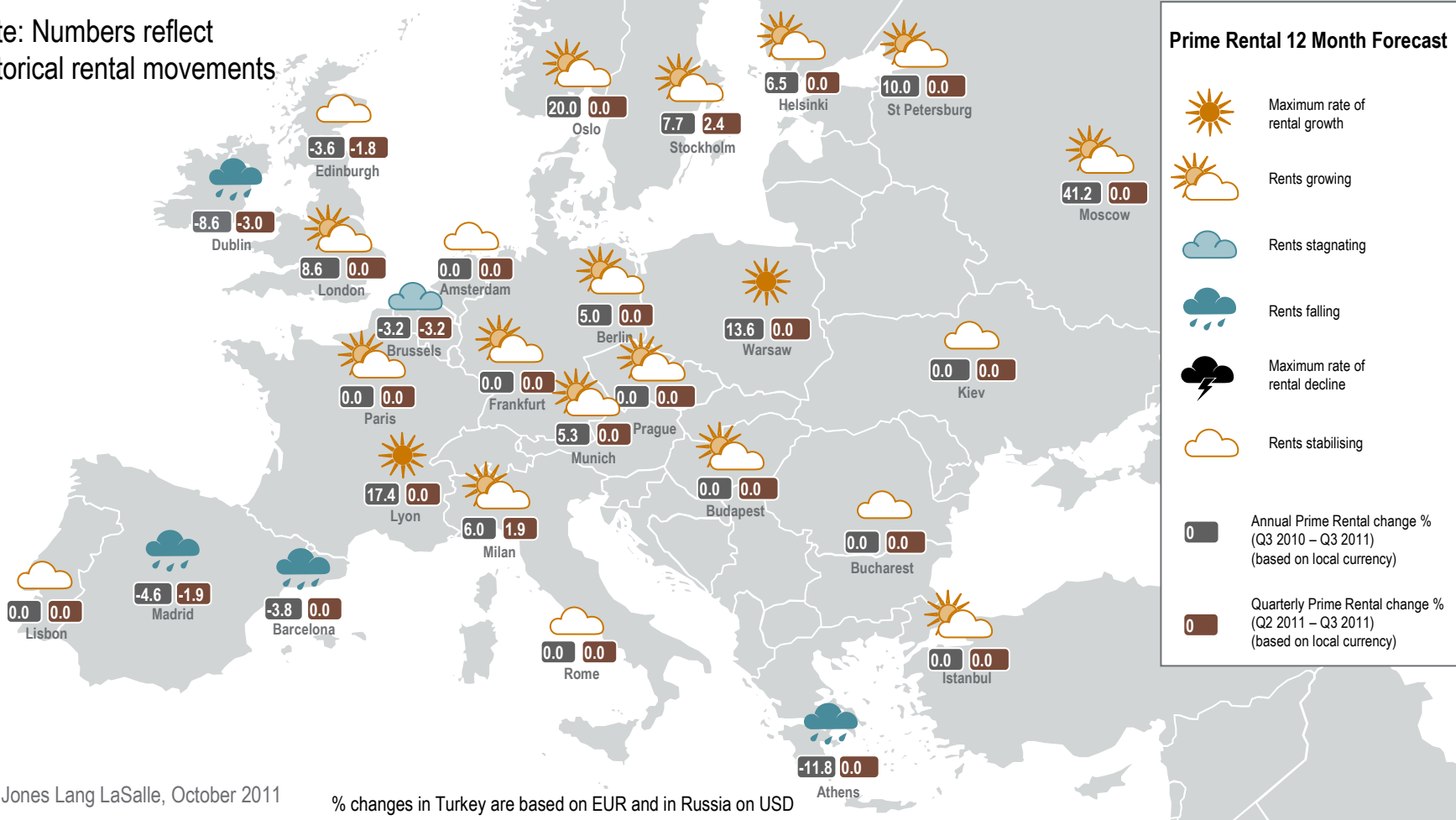
Note: The Office Yield is a weighted averages for 24 major markets in the region



EMEA Office Weather Forecast

Autumn 2011

Note: Numbers reflect historical rental movements



Source: Jones Lang LaSalle, October 2011

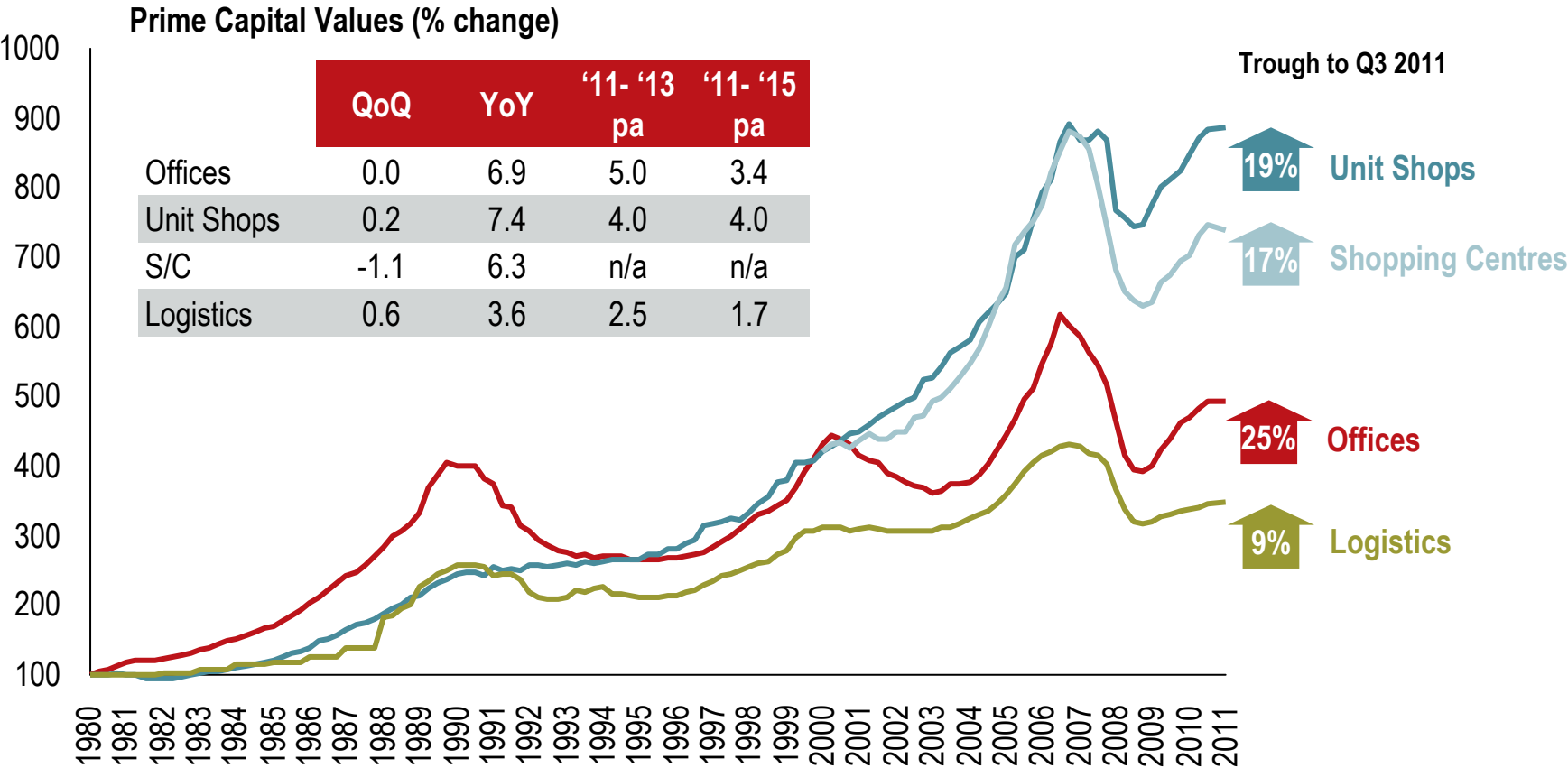
% changes in Turkey are based on EUR and in Russia on USD



The weather symbols provide an indication of how Jones Lang LaSalle forecasts prime rents will move over the next 12 months in each market. The intensity of the weather symbol is a relative measure comparing how the forecast relates to historic 10-year volatility. Each market is therefore assessed relative to its own rental cycle. Market symbols are not necessarily representative of investment or development market prospects. The symbols and figures refer to prime face rental values.

Prime Capital Value Indices Stabilising

European Prime Capital Value Index (1980=100)



Note: Shopping Centre Indices start Q4 2000=421.
Source: Jones Lang LaSalle, October 2011



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International Valuation Standards in a Global Market

What's the story?

1. **International Valuation Standards – why do we need them?**
2. **The Red Book - ethics and applying a global standard**
3. **Valuer Registration Scheme**



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1. Valuation Standards in a Global Market

...Setting the scene

Globally, there has been a loss of confidence in the valuation profession.





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1. Valuation Standards in a Global Market

**It's 2007.
Property prices tumble.
Banks collapse.**



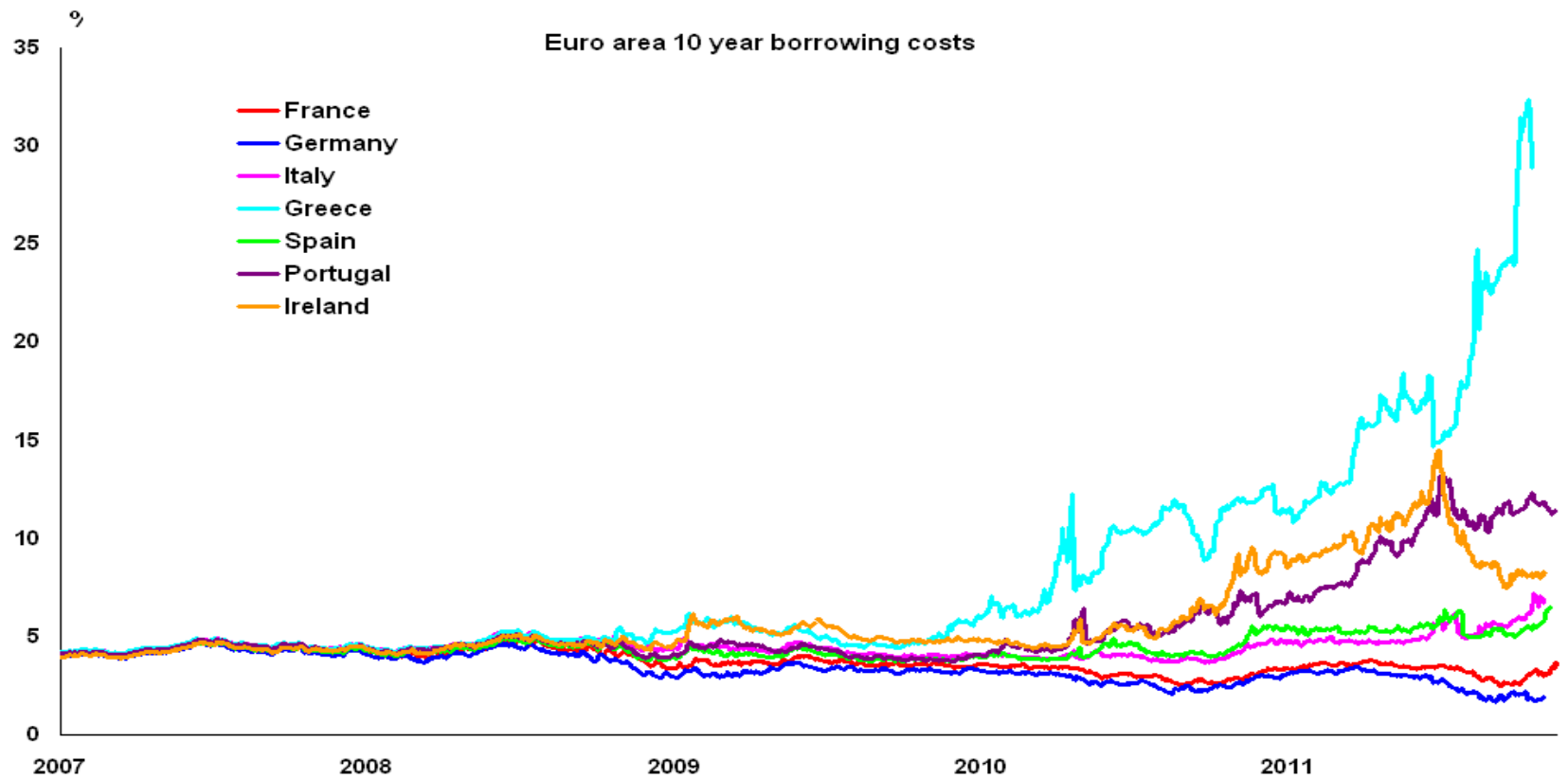


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And now? Borrowing costs in heavily indebted economies have risen





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1. Valuation Standards in a Global Market

International standards help us deal with

Lack of consistency

Globalised markets

Limited and unreliable evidence



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2. RICS Valuation Standards and Ethics

- **1996** – Red Book extended to bank valuations
- **1996 to 2003** – OMV and MV exist in parallel
- **2003**
 - Red Book revised into international & domestic sections
 - Formally adopts IVS
 - RICS drops OMV in favour of MV
- **April 2011** - the 7th Edition
 - Publication of Global Edition as well as UK Edition
 - Valuation Standards rather than Practice Statements
 - Clarification of mandatory Standards
 - GN5 'Valuation Uncertainty' has been revised to GN1 'Valuation Certainty'





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3. Valuer Registration Scheme

The Valuer Registration Scheme (VRS) is a voluntary scheme that monitors all registered RICS members.

Its aim is to ensure the quality of valuations, raise the credibility of valuers and provide clients with a clearly identifiable designation for the best-regulated and qualified professionals in the field.

It was launched in mid-September 2011 in continental Europe.



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3. Valuer Registration Scheme

VRS focus and attributes

- Ensures consistent and high-quality valuations by helping members to apply, share and maintain global professional standards.
- International Valuation Standards (IVS) compliant.
- Identifiable in the designation of 'RICS Registered Valuer'.





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3. Valuer Registration Scheme

What is good for clients...

Clients have confidence that they are working with regulated members who

- enforce the RICS Red Book valuation standards
- adhere and commit to openness and transparency
- are experts in their field, delivering credible and high-quality reports
- benefit from additional protection through VRS monitoring.





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3. Valuer Registration Scheme

...is good for members

RICS members who register can expect to

- share internationally recognised, approved valuation standards
- receive advice and assistance from RICS regulation and their peers
- benefit from a solid regulatory safeguard
- stand apart from the competition in terms of quality and accountability.





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Reflecting Uncertainly in Valuations

Publication of an RICS User Guide

A document prepared for valuers and users of valuations focusing on:

- General understanding of the concept of uncertainty
- Understanding risk and uncertainty through worked examples
- Methods by which uncertainty in valuations may be identified
- Communicate uncertainly to clients with clarity



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Professional Indemnity Insurance

RICS Guidance outside of the UK

A document is under preparation by RICS to advise:

- Minimum standards for adequacy and appropriateness of PI cover
- Further recommendations for PI policies

RICS is also working on the following:

- Providing a network of broker contacts for regions outside the UK
- Identifying a global provider of PII delivering an acceptable product for regulatory purposes.