

Edited by ANEVAR – The National Association of Authorized Romanian Valuers



■ **Valuation and Help**  
Dana Ababei ▶ 6

■ **The Future  
of the Valuation Profession**  
Sorin Petre ▶ 10

■ **After 2020**  
Adrian Vascu ▶ 14

■ **Asset Valuation between Disruptive Technologies,  
Smart Cities and the Internet of Things**  
Daniel Manăţe ▶ 18



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A poster for a conference titled 'EVALUAREA PENTRU TRANZITIVITATEA ENERGETICA SI IMPOZITARE'. The image shows a hand holding a pen over a document with a green line graph and bar chart.

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LIKE US A large blue graphic of a thumbs-up hand, commonly used to represent a 'like' or 'thumbs up' on social media.



6

The Valuer and Help

05 **Inside**

Raluca Şlicaru

06 **Valuation and Help**

Dana Ababei

10 **The Future of the Valuation Profession**

Sorin Petre

14 **After 2020**

Adrian Vascu

18 **Asset Valuation between Disruptive Technologies, Smart Cities and the Internet of Things**

Daniel Manate

22 **The Authorized Valuer and Development Property Valuation**

Cristina Grigorescu

28 **The Bright Future of the Valuation Profession**

40 **Interview with 2018-2019 ANEVAR Board Members**

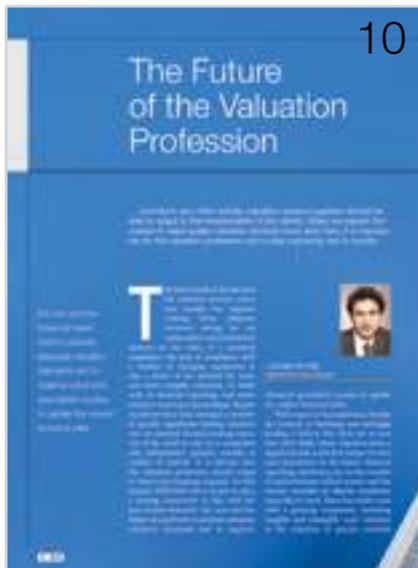
48 **“In Rallying and in Valuation We Must Keep Eyes on the Rules”**

52 **Future or future perfect?**

Laurenţiu Stan

55 **Events**

75 **Market Data**



10

The Future of the Valuation Profession



14

After 2020



Read the magazine accessing the application "REVISTA VALOAREA" in App Store or Google Play where you can find, besides this issue in English, the whole archive of the magazine in Romanian.



# VALUE

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› **RALUCA ȘLICARU,**  
Coordinating Editor

## Dear colleagues,

**W**e have come to the fifth edition of our magazine, the English version! The most representative articles we published last year are available in this special edition.

In September, ANEVAR hosted two reference international events: The 9<sup>th</sup> WAVO (World Association of Valuation Organisations) Congress on the topic of Ethics in the Valuation Profession and The International ANEVAR – IVSC (The International Valuation Standards Council) Conference - Business Valuation in a Globalised World, both of them organized around September 9<sup>th</sup> when we celebrate The Valuer's Day in Romania. They were followed by ANEVAR Awards Gala, the third edition this year.

ANEVAR's cooperation with international organizations is long-standing. It enables its members to keep abreast of the activity of their colleagues from abroad and to access the ongoing information and experience sharing. All guest speakers who came to Bucharest in September were asked to answer a set of questions focusing on the future and the development of the profession. The interview is found on pages 28-39.

2018 also came with a new team at the helm of the Association and on pages 40-47 we propose you to go through an interview with all the elected Board members for 2018-2019.

You are then invited to read about the future of the profession, about how the profession interacts with technology as well as other topics bearing on our members' daily activity.

All the events ANEVAR organized were captured in pictures that we also included in this number of the magazine, on pages 55-74

We are grateful to everyone who contributed to making our magazine possible!

To access the previous issues as well as our special editions, please download the mobile app REVISTA VALOAREA for Android or iOS operating systems.

Join us online too, on our official Facebook, LinkedIn and Twitted accounts. Follow us!

I wish you all a year of trust and optimism!

# The Valuer and Help



**Dana Ababei**

ANEVAR President,  
Executive Director CMF  
CONSULTING S.A.

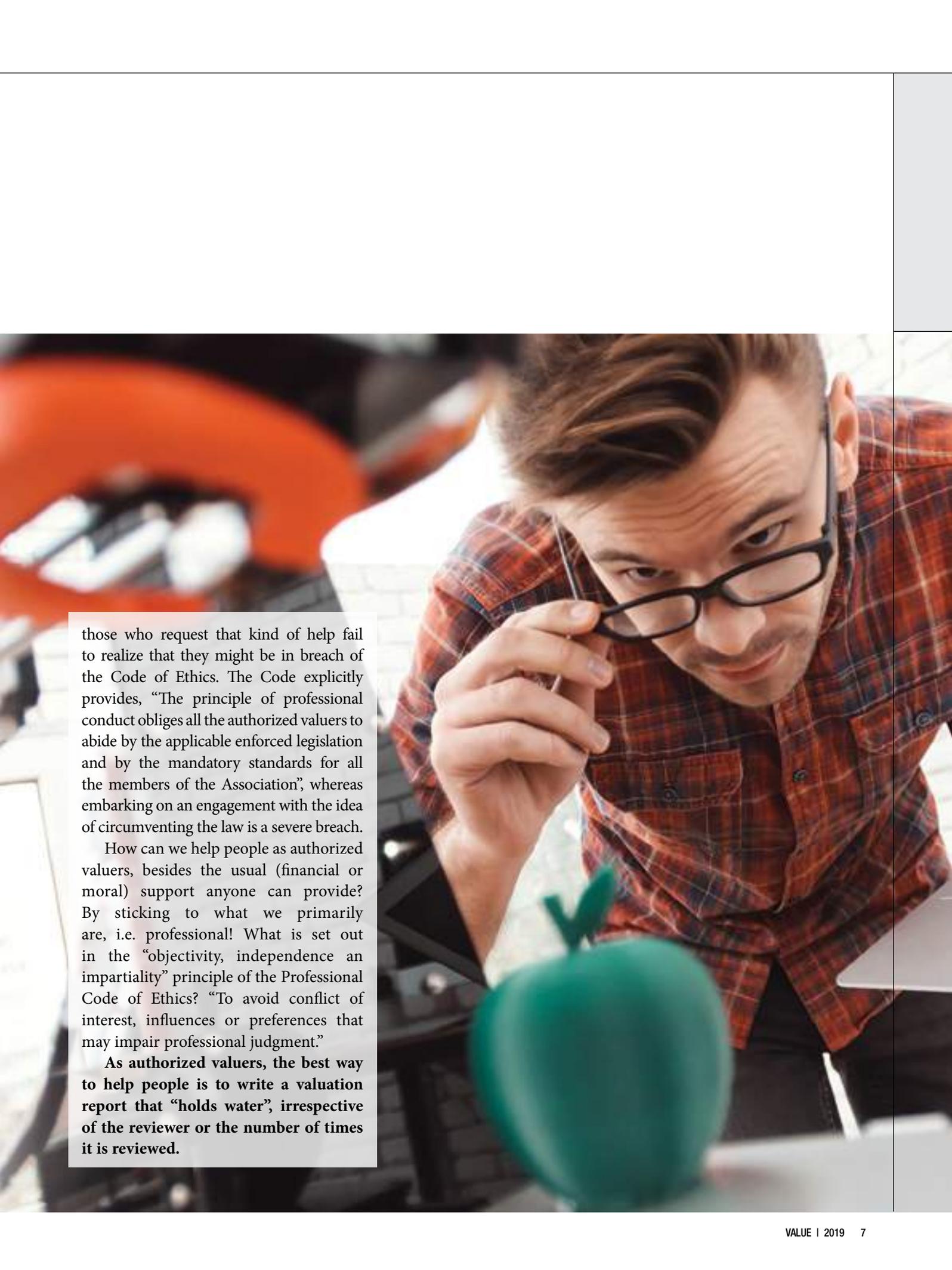
Although this issue of the magazine is focused on the impact of technology on valuation, I will dwell neither on the invention of e-cigarette and how it influences work efficiency in smoking valuers, nor on how smart phones have influenced the way we use working time, but on help. Help in the valuation profession. Everyone agrees that we owe a lot to lazy people because their perpetual search for faster ways to carry out activities sparked most of our evolution. One's perpetual search to step up habitual activities gives rise to "shortcuts" and products/services that nobody would have imagined 20-30 years ago.

**Why have I come to believe that I must dwell on the idea of help and on what it means in our profession?**

**When clients complain that they cannot afford to pay the property of tax, does help mean that we should look for "shortcuts" and "schemes" that allow them to pay 5 lei less than they should normally do? Of course not!** Who do we help then? Nobody! And why? Because there comes a moment when valuation reports are reviewed and the parties to the valuation (the client who requested

the services and the service provider, i.e. the valuer) will face the consequences: to pay the differences + penalties and maybe suffer other types of sanctions for incitement to tax evasion the client and to cover the damage, lose the license to practice the profession and maybe other types of penal sanctions forgery for the valuer.

How come that I am dwelling on such issues? Because every single week the association receives emails whereby we are asked for help. I do not mean help as charitable deeds, but advice on how a client could circumvent the law and the standards. What worries me more is that

A man with brown hair, wearing black-rimmed glasses and a red and blue plaid shirt, is looking down at a green apple. He is holding the top of his glasses with his right hand. The background is blurred, showing what appears to be a desk with a laptop and some papers. The lighting is bright, suggesting an indoor office or workspace.

those who request that kind of help fail to realize that they might be in breach of the Code of Ethics. The Code explicitly provides, “The principle of professional conduct obliges all the authorized valuers to abide by the applicable enforced legislation and by the mandatory standards for all the members of the Association”, whereas embarking on an engagement with the idea of circumventing the law is a severe breach.

How can we help people as authorized valuers, besides the usual (financial or moral) support anyone can provide? By sticking to what we primarily are, i.e. professional! What is set out in the “objectivity, independence and impartiality” principle of the Professional Code of Ethics? “To avoid conflict of interest, influences or preferences that may impair professional judgment.”

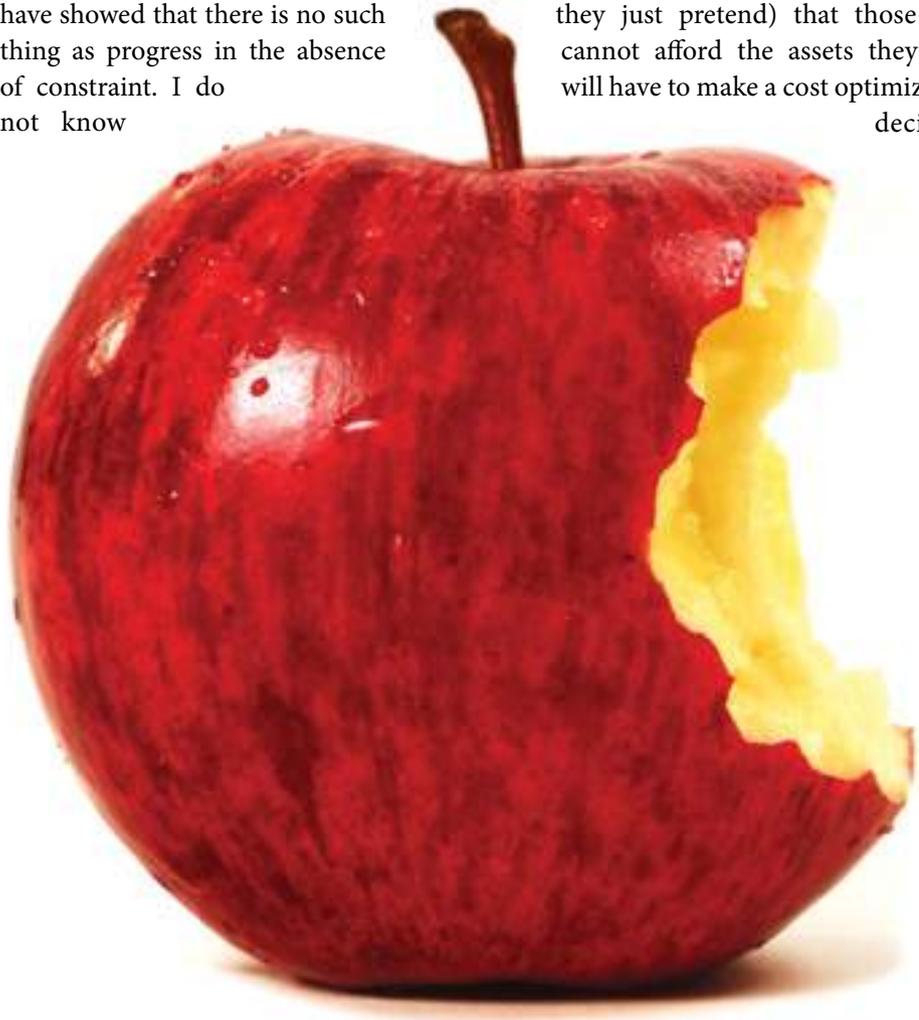
**As authorized valuers, the best way to help people is to write a valuation report that “holds water”, irrespective of the reviewer or the number of times it is reviewed.**

I was surprised to see that some of our colleagues do not understand (or maybe they just pretend) that those who cannot afford the assets they own will have to make a cost optimization decision, sooner or later.

What actually struck me in our colleagues' questions on how to help clients pay less is that they seemed to have made no effort to understand the principles of the new taxation system, based on taxable value. The idea at the core of the New Fiscal Code is the need for a cleanup in our country. Thus, if buildings are in a poor state and they become a public hazard for citizens and their health, owners must take a decision: Either they pull them down and they stop paying tax or they have them restored, consolidated and used again. We are dealing here with the cleanup we are all waiting for, as we all wish to be able to walk in areas lined with old buildings and not fear for our lives. The last few years have showed that there is no such thing as progress in the absence of constraint. I do not know

a citizen of this country who does not complain about how ugly Bucharest city center looks. But why is it ugly? Because it has not changed from the times of WWI – we almost expect to see fighters in the resistance movement emerge from the bowels of a parking lot on Magheru Boulevard, armed to fight the oppressors or, even worse, a pack of stray dogs that could devour us before we complete the valuation report (afterwards, becomes irrelevant!). Tax is one way to determine the owners who prefer to let their buildings pray to collapse (for the reason that they do not get a demolition permit) to clean their own mess.

I was surprised to see that some of our colleagues do not understand (or maybe they just pretend) that those who cannot afford the assets they own will have to make a cost optimization decision,



sooner or later. I was struck by the fact that those who ask what *we can do to make them pay less*, do not actually ask *what we can do to make them pay more*. No inquirer seems to consider the fundamental purpose of taxation. Do we need schools, hospitals high ways, do we only need to help our fellow people pay less? There is no answer to the question of *what we can do to adjust the amount resulting from the calculation under the law*. There is no talking about whether the law is good or not. All we need to do is to enforce it!

### **Why have I come to believe that I must dwell on the idea of help and on what it means in our profession?**

When clients ask for our help to recognize values in their books, to determine a type of building (residential/non-residential), to do the measurements, do we help them if we tell them how we see things, though we lack the required competences? The right to an opinion cannot be restrained, but the activities listed before make the scope of other specific professions but valuation. Are we responsible for these other activities? We are not! I cannot understand why some colleagues persist in trying to show they can do everything. Undoubtedly, there are colleagues among us who are also authorized accountants, so they can provide accountancy consulting, others who are fiscal consultants, so they can provide fiscal consulting and so on... but thinking of valuation only, we are only accountable for the value estimation of an asset/liability, not for activities that are specific to other professions. Nevertheless, if we write in our reports “we measured the building...”, then we are accountable for our statements. When the data we receive is inconsistent, we must inform

our clients and ask for the correct data. When we provide advice outside the scope of professional competence, for reasons that bear on out-of-the-box marketing, we have to inform the client about the limits of the consultancy we provide.

### **Why have I come to believe that I must dwell on the idea of help and on what it means in our profession?**

When a colleague is asking for advice on a specific valuation, should we help him or her if we are familiar with the issue? I believe we should, provided we are. We must be familiar with it! With the practical situation, the purpose of the report, the current theory and the applicable laws, we must be familiar with the property! Otherwise, we simply cause confusion. There is no shame in asking for help and taking it, but the multitude of contradictory market data must make us take help with a grain of salt. People have given/received help ever since they emerged on Earth, irrespective of the theory we apply to explain the emergence of man.

We must make sure that somebody has something to say is familiar with the issue and that we have the entire answer, not just bits and parts that may refer to other cases. Let us not forget that accountability rests with the person who signs a report. If we fail to understand the answer we are given and we do not really believe in the arguments put forward by the one who is helping, how could we provide supportive arguments at the stage of review?

My final word is this: Let us stick to valuation and to what a conclusion of value is about and let the other professions do their job! It is natural for valuers to be accountable only for the activity they are authorized to perform. Let us not take more responsibility than we should. ■

If we fail to understand the answer we are given and we do not really believe in the arguments put forward by the one who is helping, how could we provide supportive arguments at the stage of review?

# The Future of the Valuation Profession

Just like in any other activity, valuation service suppliers should be able to adapt to the requirements of the clients. When we expect the market to need quality valuation services more and more, it is impossible for the valuation profession not to play a growing role in society.

For now and the future we need both to promote adequate valuation standards and to organize advanced specialized courses to update the valuers' technical skills.

**T**he latest trends in the demand for valuation services evince that besides the requests coming from different investors asking for an independent and professional opinion on the value of a potential acquisition, the area of compliance with a number of changing regulations is also a driver of the demand for more and more complex valuations. In fields such as financial reporting, real estate taxation, insolvency proceedings, dispute resolution there have emerged a number of specific regulations turning valuation into an essential decision-making input, out of the need to rely on a competent and independent opinion, outside of conflict of interest. It is obvious that the valuation profession should adapt to these ever-changing requests. In that respect, ANEVAR's role is to put in place a training framework in line with the new market demands. For now and the future we need both to promote adequate valuation standards and to organize



› SORIN PETRE,  
ANEVAR First Vice-President

advanced specialized courses to update the valuers' technical skills.

With respect to the regulations, besides the taxation of buildings and mortgage lending, I believe that there are at least four other fields where valuation plays a significant role, a role that I expect to turn more prominent in the future: financial reporting, insolvency, tax on the transfer of assets between related parties and the various remedies in dispute resolution, especially in court. These four fields come with a growing complexity, including tangible and intangible asset valuation or the valuation of specific activities

performed by a company under different development scenarios, all of that for a host of intended users, shareholders and potential investors alike, as well as lenders or different public institutions. This article will briefly tackle the specific requirements within these four valuation fields, from the point of view of the impact I expect them to have on the valuation profession on the medium and the long term.

More and more financial reporting standards implicitly or explicitly refer to the need for valuation services, either in disclosing the “fair value” of specific assets or liabilities in the balance sheet, or in assessing the income generating capacity of the assets in the future to support their book value in the financial statements (depreciation test). The recently financial reporting standards enforced allow investment funds, for instance, to disclose within the balance sheet the “fair value” of their major interest investments instead of consolidating report. Other standards

require banks to use discounted cashflows to estimate future losses incurred in specific high-risk loans and report them in their financial statements. All these changes are meant to raise the users trust in the financial statements reflecting a business’ operation and they all involve valuation specific methods. Financial reporting comes with clear opportunities that valuers should be prepared to access. I believe ANEVAR has all the means to support that preparedness. We must keep in mind that financial reporting is subject to audit, which is why the valuation conclusions must be clearly stated in the report and comply in detail with the reporting requirements enclosed in the valuation standards.

Financial reporting comes with clear opportunities that valuers should be prepared to access. I believe ANEVAR has all the means to support that preparedness.



A particular point of attention in insolvency is valuation of the assets that represent collaterals for a specific class of creditors, because it influences the order of priority when distributing the cash generated from the ongoing operation of the company or from asset recovery.

Another significant influence on the demand for valuation services is the insolvency procedure. Important decisions regarding the recovery of the assets held by a company in distress rely on a detailed review of the estimated market value of individual properties, clusters of operational assets or distinct activities. Based on such detailed valuations, the creditors may reach an informed decision regarding feasibility and the best way for the company to continue to operate, or, alternatively, bankruptcy and liquidation of assets. A particular point of attention in insolvency is valuation of the assets that represent collaterals for a specific class of creditors, because it influences the order of priority when distributing the cash generated from the ongoing operation of the company and asset recovery. Valuation will suppose both tangible and intangible assets but the valuer may need to analyze activities involving the interplay of several assets and to consider different scenarios, including the assumption of liquidation. In addition to that, after the troubled years of the latest financial crisis in the banking system, central banks are implementing the European bank recovery and resolution directive into national regulations. The directive covers a process that is similar to insolvency, but the objective is to identify the potential difficulties a bank faces in an early stage and to allow authorities to step in in time. I brought up this regulation because, under the directive, valuation gains prominence through the specific estimates that are required in three

distinct stages of the process: there is an initial valuation in the stage of checking the performance indicators, a valuation to support the selection of a resolution scenario and another at the stage of the implementation of the selected scenario. The necessary competences relate to all ANEVAR's qualifications, including valuation of financial assets.

Taxation is another field where I could notice significant changes pointing to the development of a fiscal system that relies more and more on the market value of the assets. Taxation based on the taxable value of buildings (determined in line with ANEVAR Standards) has lately made the bulk of valuation work, but with the current alignment of Romanian regulations with European law we can see another segment of taxation that enhances the role of valuation, namely taxation of the transfer of assets and/or activities between related parties – transfer pricing. In the context of the fast technological developments that we have lately witnessed, with AI, the effective management of higher complexity databases, more and more groups of related parties are resolving to the optimization of their activities inside the group to gain a competitive

edge. Consequently, besides the transfers of assets and equipment, we see a trend to pool services and deliver them to several related parties, through the transfer of activities and service provision contracts towards a single specialized unit. According to fiscal regulations, the parties to such transfers must adequately document transfer prices. I have noticed that under such circumstances, more and more clients resort an independent valuation opinion to determine the market value of the assets or activities subject to transfer. Valuations for the purpose of activity transfer or of managing specific service contracts get more and more frequent in this segment and I expect them to represent a significant source of work for valuers in the future. The necessary competences involve both business valuation and (in)tangible asset valuation.

Last but not least, valuation for dispute resolution, both in court and outside the court is something I expect to grow significantly in the future. Litigation requires professional valuation services, as many conflicts stem from the fact that parties may have different expectations on the value of the assets under dispute, or on party's claimed losses. To involve

a competent valuer in the proceedings to provide an independent and well documented opinion of value under dispute is an additional reassurance for both the contending parties and the judge ruling on the case, in taking adequate decisions

In short, taking into account only the four fields that I have just presented in this article, I can firmly conclude that the valuation profession will play an important role in the future and that higher public trust in the profession is crucial to "solve" complex challenges. Authorized valuers, ANEVAR members, should always be the clients' first choice, irrespective that valuation is about compliance with regulations or a transaction between private individuals. It can only be done by those who are professionally competent and by complying with all the requirements enclosed in the code of professional ethics. ■

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# After 2020

In the article “2020” from the previous issue of the magazine, I wrote about the future of the valuation profession and recounted both the fields I see as promising and the solutions to tap into the new directions.



› **ADRIAN VASCU,**  
ANEVAR President in 2008-2009  
and 2014-2015, Senior Partner Veridio

I will dwell here on two important topics, namely Accredited ANEVAR Members (MAA) and valuation training. They both influence the trust and respect we want so much. I will tackle those, in the final part of this article.

From the time it was put in place, accreditation has been meant as a way to attract as many valuers as possible, given that passing the exam comes with benefits, at least with respect to professional knowledge. In point of the market, the benefits are not visible yet because the number of MAA members has not reached a critical mass for the profession to distinguish between this qualification and membership. Moreo-

ver, accreditation is still taken for membership, for the reason that ANEVAR membership amounts to an accreditation by the association.

I therefore believe that this is an aspect to clarify in the future and that most of the members should acquire the MAA qualification. In other words, after the first three years of experience in the profession, a member should take the step of the accreditation test. Under the circumstances, I can anticipate several results:

- › to see, for most of the valuers, an increase in the quality of their reports and in their professional conduct; an attitude that would change the definition of the valuer of the future;
- › homogeneous quality in valuation services; high quality should become consistent;
- › the Ministry of Justice would only accredit MAA members;

I therefore believe that this is an aspect to clarify in the future and that most of the members should acquire the MAA qualification.

All of that should materialize in a higher public trust in the profession and then respect.

- › banks would split valuations based on their complexity and/or a value threshold and allocate the basic level of work (eg. apartments) to the new entrants in the profession, i.e. training courses graduates, which must find a market area, while the valuation of the more complex real estate, above the value threshold, would be assigned to MAA valuers;
- › there would result a tariff segregation between the two types of assignments, based on their complexity, because there where operations can be automated (they suppose routine work), there will be software and robots taking over so we expects fees to be lower in such cases.

All of that should materialize in a higher public trust in the profession and then respect.

My colleagues and I have reiterated those things and, indeed, they are common sense.

To be honest, the current level of trust and, indirectly, respect is very low, which is visible in the way authorities, banks and even the public see valuers and their work.

I believe it takes patience and assiduous work to gain trust first and then respect. It also takes a strategy to obtain and preserve these things that otherwise would hinder the development of the profession.

Before clarifying the few signs that we want to see and that can show that we have gained a critical mass of public trust and respect, allow me to dwell on an important crossroad in a valuer's evolution, something that can ease the way to an area of trust and respect. I have in mind professional training.

I remind that to become an authorized valuer, one needs to pass the national exam, followed by maximum two years of training when trainee valuers attend courses for one of the qualifications they want to pursue.

Except for small changes, the courses are rather the same as what they used to be 25 years ago. The number of classes is higher, but they take place in the evening during working days, which makes it hard for trainees to come to the classes after work. The lecturers' experience and the density of the current manuals have caused a situation where a lot of knowledge has to be acquired in a rather short time. I think this working method should change, it should be tuned to today's and tomorrow's realities. Our purpose is that "fresh graduates" should embark on the professional road with the highest possible practical experience, at least for some basic-to-average valuation types, while few more complex situations could be covered in the practical examples included in the course, of course. After the first three years, they should be given access to the accreditation exam.

Therefore, I consider it beneficial to reform the current way training is organized and adapt it to the system of adult learning in Romania, namely, courses should be held Friday through Sunday, similar to master courses in higher education. The benefits I can see are the following:

- › trainees can make better use of the 2-year traineeship. At present, there are many periods of low activity (until a new series of courses is organized, for instance);
- › courses can be held in major cities, on the premises of higher

education institutes that may be a more adequate location both in respect of the activity and the costs; one argument in favor is that ANEVAR has already signed cooperation agreements with the biggest universities in Romania;

- › trainees could thus organize their time better, being able to both attend the classes and see to their common job duties;
- › the courses' duration may be extended to make it possible to introduce in the syllabus, in addition to the homework, as many guided practical examples as possible;
- › the course will get something of the "significance" of a master's programme, rather than professional conversion (its original format from 1992);
- › the level of resulting knowledge and skills will definitely be higher;
- › lastly, I do not see why we would not have a valuation specialization in higher education in the future to enable young people to graduate as valuers.

These two directions (the training courses and MAA) will get us closer to the objectives I already mentioned, namely to gain trust and respect. We will realize that it has happened when we see the following signs:

- › clients will no longer try to influence the results for the mere reason that they pay for the report (I often give the example of those

who pay for medical tests, but they do not require a doctor to change the value of their transaminases, say from 125 to the normal value of 45!);

- › banks will sign direct contracts with valuers, when they are available locally, and give up the current procedure of hiring through an agency. It is obvious that local valuers will make the future of residential markets because they will be the best match for productivity and cost constraints;
- › authorities will no longer introduce norms allowing a unauthorized persons to ask for second valuation or a review, for the simple reason that they think there is something wrong with a valuation report. It is something that makes the representatives of the authorities vulnerable as they can be sued for breach of duties (either for asking or not asking for second valuation opinion);
- › under-valuation or over-valuation will cease to be topic everyone is free to tackle in the public discourse without asking for a qualified opinion from an expert or the professional body.

Is it possible to see all those things happen in the future? Part of them, at least? I believe it is. What we need is the will to do it, we need to stand united and to start by reconsidering the trust and the respect we place in ourselves and we give the others. Only then, can we receive them from the public. ■

What we need is the will to do it, we need to stand united and to start by reconsidering the trust and the respect we place in ourselves and we give the others. Only then, can we receive them from the public.

# Asset Valuation between Disruptive Technologies, Smart Cities and the Internet of Things

*"The Fourth Industrial Revolution is here and technologies work together to blur the lines between the physical, digital and biological world. Indeed we have stepped into a new Discovery Era."*

**John Hughes, RICS President**



› **DANIEL MANATE**,  
President of ANEVAR 2016-2017,  
MAA, MRICS, REV

In a world of continuous change, where the Internet of Things will be the prevailing reality in a few years from now, where smart houses and green buildings will make the norm, what are the prospects for the asset valuation profession?

To put it rather plainly, what are the chances for valuation, as we know it, to stay a relevant liberal profession in the years to come?

Allow me to refrain from giving a direct answer for now and simply to say that the question applies to most of the current professions and occupations.

Every 3-5 years<sup>1</sup> we see the emergence of new jobs that nobody has spoken or heard about. They require new knowledge and skills that are not systematically built into the education system or are only randomly addressed in some communities.



Who could tell, a short while ago, what was a *cloud expert*, a *data miner* or an *apps developer*?

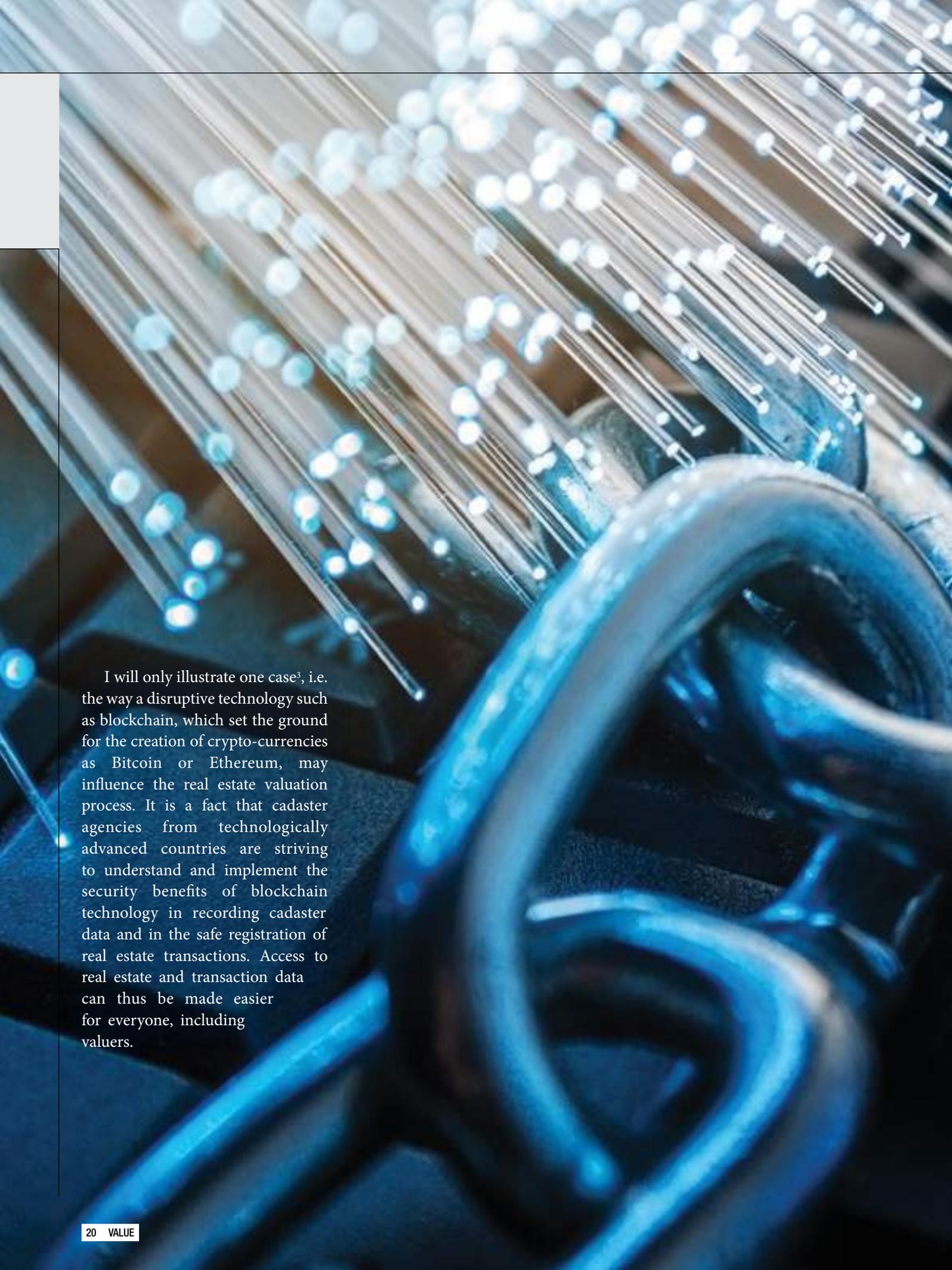
They are all new, much sought after and very well paid jobs nowadays.

Let us rather look at some of the drivers of the new requirements, at the developments that are already dramatically changing the well-known, comfortable and reassuring landscape of the labor market:

- › the Internet of Things,
- › big data, data storage and data access in cloud,
- › robotics,
- › smart technologies and everything that comes with them (objects, buildings, communities) and the new “green” environment, including green buildings<sup>2</sup>,
- › portable technologies and their billions of apps,
- › social media orchestrating a brutal and almost unstoppable intrusion in our private lives, whereby online surfing and socializing activities are interpreted and exploited by sales, marketing and computer profiling people, political votes are influenced etc.

› Every 3-5 years we see the emergence of new jobs that nobody has spoken or heard about. They require new knowledge and skills that are not systematically built into the education system or are only randomly addressed in some communities.





I will only illustrate one case<sup>3</sup>, i.e. the way a disruptive technology such as blockchain, which set the ground for the creation of crypto-currencies as Bitcoin or Ethereum, may influence the real estate valuation process. It is a fact that cadaster agencies from technologically advanced countries are striving to understand and implement the security benefits of blockchain technology in recording cadaster data and in the safe registration of real estate transactions. Access to real estate and transaction data can thus be made easier for everyone, including valuers.

If at present business people, managers, executives and financial officers have more or less heard about the valuation profession and are aware of the needs that asset valuation serve, can we assume things will stay the same in 5 or 10 years' time?

Paradoxically, the condition to answer this question favorably is to make the entire profession, from trainee valuers to management bodies, aware of it.

Considering a description such as *reinforced concrete foundation, brick masonry, metal roof truss with corrugated iron covering*, will it still be relevant in the not so distant future? Or rather, do we have to think of other building details such as *heat pumps, solar panels, energy storage batteries, remote building management systems (from access into the building to regulating temperature and the fresh air intake)*?

Are we now able to quantify the influence of the latter elements on the market value or do we still have to work on developing course materials on this topic?

Speaking of business valuation, in the context of a highly complex and troubled external environment, is it still relevant to analyze in May the historical data from the balance sheet of December 31 and how can we manage this challenge at present? What about the future?

Let's be optimistic though!

We have been courageous enough to ask ourselves about the future of the profession, we will create the favorable grounds for a pro-active and effective answer in front of the challenges brought by technological changes.

There are several directions that every one of us should embrace, whether we act as disciplined soldiers within regional networks of sole practitioners or employees, own a small valuation or a relatively big asset valuation firm with dozens of employees or contractual staff.

1. **Productivity:** it supposes the use of tools that increase the speed and accuracy of specific operations in the valuation process (e.g. valuation software, pre-defined Word or Excel document templates – inspection sheets, contracts, model valuation reports, geo-location systems, cloud platforms for conveying and sharing the data collected during site inspections, data acquisition, processing and integration apps used to input the data into the annexes to the valuation reports etc.).
2. **Access to/use of relevant data and information:** it supposes the acquisition of data from specialized providers whenever necessary (e.g. comparables for real estate, businesses or intangibles, cost of capital for businesses, capitalization rate for real estate, royalty for intangibles etc.); in other words, the raw material of the intelligence we exploit in valuation, representing the key elements directly influencing the results.

3. **Communication/connectivity/sharing:** speed becomes a factor in the selection for survival, therefore valuers should welcome modern data storage technologies such as cloud; they enable data sharing between different compartments/valuers etc.; there are also affordable secure online connectivity solutions providing coverage even outside the country.

4. **Valuation methodologies** must be permanently updated to reflect the current and anticipated changes in valuation subjects, such as green or smart buildings, smart objects, disruptive technologies, robots etc.

To conclude, what does the (asset valuation) profession need to stay Relevant for the needs of the people and the business environment, given that more than 50% of the companies listed in the reputed Fortune 500 in 2000 had disappeared by 2014?

The answer is neither simple nor comfortable, but it is the only answer to take into account: both the profession and its members must be capable to *anticipate and use for their own and their clients' interests* the technological changes that have already happened, that are happening right now and will undoubtedly keep on happening at a sharper, exponential rate.

**Good luck, valuers!**

<sup>1</sup> This interval actually keeps shrinking.

<sup>2</sup> RiCS, Big data, smart cities, intelligent buildings – surveying in a digital world, 2018.

<sup>3</sup> <https://ww2.riccs.org/uk/wbef/data-technology/blockchain-and-how-its-changing-the-nature-of-real-estate/>

# The Authorized Valuer and Development Property Valuation

“Many in our modern society act like boatmen: they row but they keep their back to the future”  
Henri Coandă

**T**he quotation does not have much to do with the topic, but must I must say I liked it, because it is the expression of a commonplace reality: we keep rowing (most often we are praised for that) but we lose sight of the future. We somehow go with the flow and forget to plan our next steps. Few of us can do it, it may be a gift or something you have to learn about. Then, everyone to his own trade, I suppose.

Back to the topic, in my discussions with both valuers and investors, I realized there was some confusion between what valuers meant by “valuation of development property” and the way investors saw it.

I am warning my readers from the very start that this article will not dwell on the valuation standards, **SEV 233** Development property (IVS 233) and **SEV 320** Application of Investment Value for Individual Investors (EVA 5) – the standards and guidance notes are enough in that respect – but rather on what an investor expects from “investment valuation”. Allow me to clarify the



› **CRISTINA GRIGORESCU,**  
ANEVAR Vice-President

last sentence...

In the following paragraphs, I will list some of the provisions enclosed in the Asset Valuation Standards, the 2018 edition, but they will NOT make the topic of this article:

## SEV 100: “Investment Value

36. Investment value is the value of an asset to the owner or a prospective owner for individual investment or operational objectives.

37. This is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. Investment value reflects the circumstances and financial objectives

of the entity for which the valuation is being produced. It is often used for measuring investment performance. Differences between the investment value of an asset and its market value provide the motivation for buyers or sellers to enter the marketplace.

#### SEV 104:

### “60. IVS- Defined Basis of Value

60.1. Investment Value is the value of an asset to a particular owner or prospective owner for individual investment or operational objectives.

60.2. Investment Value is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not involve a presumed exchange. Investment Value reflects the circumstances and financial objectives of the entity for which the valuation is being produced. It is often used for measuring investment performance.

180.3 If the objective of the basis of value used in a valuation is to determine the value to a specific owner (such as Investment Value/Worth discussed in paras 60.1 and 60.2), entity-specific factors are reflected in the valuation of the asset. Situations in which the value to a specific owner may be required include the following examples:

- (a) supporting investment decisions, and
- (b) reviewing the performance of an asset.

#### SEV 233:

### “Reporting (SEV 103)

5. In addition to the requirements of IVS 103 Reporting and

IVS 230 Real Property Interests a valuation report on investment property under construction shall include appropriate references to matters addressed in the scope of work in accordance with paras 2 and 3 above. The report shall also include comment on such of the following matters as is relevant to the purpose of the valuation:

- › a statement that the project is under construction,



- › a description of the project,
- › a description of the stage of development reached, the estimated cost to complete and the source of that estimate,
- › identification of and, where possible, quantification of the remaining risks associated with the project, distinguishing between the risks in respect of generating rental income and construction risks,
- › a description of how the risks have been reflected in the valuation,
- › the key inputs to the valuation and the assumptions made in determining those inputs,
- › a summary of the status of any outstanding major contracts, if relevant.

C1. Investment property is property that is land or a building, or part of a building, or both, held by the owner to earn rentals or for capital appreciation, or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes, or
- (b) sale in the ordinary course of business.

C2. The owner may hold a superior or subordinate interest in investment property. For the descriptions of the types of property interest and the principles to be applied in valuing them, see IVS 230 Real Property Interests. This standard is concerned with the situation where an investment property is in the course of construction on the valuation date.

C3. Valuations of partially completed investment

property may be required for different purposes including:

- › acquisitions, mergers and sales of businesses or parts of businesses,
- › loan security,
- › litigation,
- › financial reporting.

## SEV 310

### “Development Property

G6. Investment property is usually valued for lending purposes on an asset-by-asset basis, although some lenders may lend against the value of a defined portfolio. In such instances, the distinction needs to be made between the value of the individual investment property, assuming it is sold individually, and its value as part of the portfolio.

G7. Consideration should be given to the expected demand for and marketability of the property over the life of the loan and appropriate advice on current market conditions



provided in the report. This advice should not involve predicting future events or values but should reflect current market expectations of the future performance of the investment based on current trends. However, if such information suggests a significant risk to future rent payments, the impact of this risk on the valuation should be considered and commented upon in the report.

G8. It is normally outside the scope of the valuation assignment to advise on the ability of a tenant to meet future rent payments and other lease obligations beyond reflecting the information available on the tenant that is in the public domain and available to all market participants.

G9. If the income from a property is critically dependent on a tenant or tenants from a single sector or industry or some other factor which could cause future income instability, the impact should be considered in the valuation process. In certain cases, an assessment of the value of the property based on an alternative use, assuming vacant possession, may be appropriate.

Let us now see the **project through the eyes of the investor**, because in most of the cases the financial aspects of a project are considered from the stage of intention. From the greenfield stage, in Anglo-Saxon terminology, or from scratch, in Romanian, because the investment does not yet exist.

The questions that follow are part of the “investment valuation” process from the perspective of standard funding, which sometimes brings confusion about who is the professional competent to do it. “Investment Review” would perhaps be a better term, but valuation is already a fixed phrase.

**The first question:** is the investment feasible, in other words, does it enhance the economic potential of the land and does it generate added value? The answer

does not necessarily enter the scope of valuation, because feasibility is only economic feasibility, which means that the valuer should carefully consider the exact requirements of the client. On the other hand, if a valuer is asked the same question, it could relate to the context of business valuation, from the perspective of the impact of the investment on the business.

Placing the question in the context of valuation, a possible answer from an authorized valuer may stem from the application of the HBU principle to the investment about to be made.

“32. The Market Value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximizes its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.” (Source: Asset valuation Standards, 2018 edition, SEV 100 – Framework)

In the light of HBU, a valuer can appreciate the maximization of the asset’s potential through the use proposed in the investment project.

But:

- › We must see whether this is what the investor expects, because at this stage, the investor either expects a

valuation of the economic feasibility or, on the contrary, a valuation of the risks associated to the investment (literally, in quantitative terms such as time and money). Most of the times, the investor expects both;

- › We must take into account that whenever we establish the legality of HBU, the review must include the project specific documents, including approvals and permits and must highlight non-compliance risks (from fines to the stay of the investment);
- › It requires a strenuous analysis including thorough knowledge of the governing regulations in a specific field, the barriers blocking access to the project and it may go as deep as checking the technical side of the project (in line with Law 10 of 1995 on quality in buildings), which is clearly outside the competence on an authorized valuer;
- › Experience in investment consulting is vital to make it possible to assess risks based on similar cases.

**The second question:** can the investment be realized within the time and the budget set out in the project proposal? The reason behind this question is the expression of the inherent principle of the cost approach, i.e. substitution. Allow me to remind it:

“At the basis of the cost approach there is the principle of substitution. According to this principle, a prudent buyer will pay no more for a property than the cost incurred to obtain the land immediately and build a similar construction, of equivalent attractiveness and use. The existing properties may

also be considered substitutes of the subject property and their value is measured by comparison with the value of a new, optimal property. In the same time, the building costs of a new property, plus the value of land, make a comparable measure for the worth of already built properties (Source: Real Estate Valuation, IROVAL, 2018).

The answer to this question can be rather simple: based on standard building costs, we can compare the value of the building obtained through the cost approach versus the costs included in the project. This is in fact a plausibility check (i.e. whether the costs included in the project are plausible).

But:

- › We must pay attention to what exactly is funded – does the project include the same categories of costs as those listed in the cost catalogue we use to determine those costs?
- › How do we treat (inherent) differences? What is the acceptable margin to consider cost normal?
- › How do we treat the investment specific expenses, when they exist? For instance, the countless costs incurred with access ways to a logistics park, the cost related to unique design features, or the conversion cost of a heritage building?
- › Do we have enough data sources (I wonder) to find the comparables I described before?
- › As for the time needed to complete the project, it has a direct influence on the funding decision - including through rescheduling the payment of the loan;
- › In addition to that, the famous question: how to treat entrepreneurial profit?

I listed only a few of the questions. There can be many others, stemming from specific situations. There also remains the fundamental question of the technical knowledge required for such judgments.

**The third question:** what would the market value of the investment be, supposing the project is already completed? A valuer would not see perhaps the point of this question. Whereas the feasibility of the project would strictly suppose economic calculations related to investor-specific plans highlighting the investor's profit derived from future cashflows, the market value under the assumption that the project is completed (ex-ante) is akin to the standard definition, rather than SEV 104. The point is that we should use the market data, rather than the parameters provided by the investor. At least they should be reconciled with the market.

The usefulness of an ex-ante market value especially derives from the need to determine (somehow in advance) the market value of the property – for loan security because the investors will usually mortgage their investment and the lending decision also considers that element.

**Thus, the ex-ante valuation:**

- › Exceeds the scope of investment value/worth, in the sense of SEV 104;
- › This value is actually a market value for lending purposes, which is why it should rely on the same elements as the mortgage lending value. The valuation parameters must be reconciled with the market and with the good practice in this field (for instance, the lettable area can be a sensitive issue, because it may sometimes exceed the net internal area

included in the project or cadastral documentations – when the building is in an advanced completion stage);

- › The advised valuation approaches are the income approach and the market approach, which make the connection to the market (easy to understand even from the investment point of view). Though the subject is a new building, the cost approach is not really appropriate, because not all the investment costs are acknowledged by the market, though, again, it all depends on the market definition and the features of the potential third party investors);
- › Though the value refers to a future construction, this value is also valid at the valuation date,

under the market circumstances at that date.

The usefulness of this value as part of the funding process is rather a confirmation of the fact that the investor will pay no more than the worth of the property and, moreover, it indicates the potential to recover at least a part (if not all) of the investment in case of foreclosure.

The same questions apply to funding a development property that is underway, with the difference that when the development effectively started, ex-ante valuation is not as prominent as the answer to the first two questions, especially if we find discrepancies in comparison to the building permit and the performance of works.

One of the main barriers is access to documents – they might be incomplete, preliminary or simply inexistent.

There remains a question, though. Despite the fact that we use the validated valuation methods, can we comply with the Asset Valuation Standards throughout the process

and does the authorized valuer hold the adequate competence?

To conclude, investment valuation may or may not enter the valuation scope of competence, but that depends on the expectations of the investor.

Since in other of my short articles I addressed the issue of limits that, paradoxically, give one the freedom to take controlled risks, each authorized valuer must draw his or her own limits of competence. The expectations of the three parties (the client/investor, the lender and the valuer) must be made clear from the very start. Given that some investments are very complex, it is vital that everyone should start from the same requirements. I also urge valuers to form multidisciplinary teams that come with the benefits of limiting individual liability of delivering good quality services, the only thing that translates into client loyalty. ■



# The Bright Future of the Valuation Profession

On September 6-7, ANEVAR hosted two international conferences: “Ethics in Valuation” and “Business Valuation in a Globalised World”. The international speakers in the conference, coming from across the world, had the kindness to answer a set of questions about the future and the developments in the valuation profession. You can discover their views in the following paragraphs:



Interview by  
**Raluca Șlicaru**

Interviewees: **Nick Talbot** – CEO International Valuation Standards Council (IVSC), **David Foster** – CEO Global Business Valuation Resources, **Andrew Strickland** – President of the Education Committee of iiBV, **James L. Murrett** – 2018 President of the Appraisal Institute, **Scott Robinson** – MAI, SRA, AI-GRS, AI-RRS, MRICS, 2016 President of the Appraisal Institute, **Anton Leszja** – ASA, MRICS, CF, Director of the Financial Advisory Services Department, Deloitte Office for Central Europe, Member of iiBV Board, **Alexander Aronsohn** – FRICS, IVSC Director Technical International, **Blue Hancock** – Head of Valuation and Consulting, Colliers New Zealand, **Dr. Lim Lan Yuan** – Executive President of WAVO, President of The Singapore Institute of Surveyors and Valuers, **Edward AU** – FHKIS FRICS MCIREAA, Future President of WAVO 2018-2020, **Paul Sanderson** – President of International Property Tax Institute (IPTI), **William A. Hanlin, Jr.** – CPA, ICVS, President/Director of IACVS, **Don Gilbert** – Managing Director Australian Lease & Property Consultants PTY LTD, **Jeffrey S. Tarbell** – ASA, CFA, Director of Financial Advisory Services – Houlihan Lokey, **Mauro Bini** – Professor in Bocconi University of Milan, President of the Board of the OIV (Organismo Italiano di Valutazione), **Diana Nikolaeva** – Partner Transaction Advisory Services Ernst & Young Bulgaria, **Andrey Artemenkov** – MRICS, Ph.D., The Department of Economic Measurements, State Management University (GYY), Israel.

## How do you see the future of the valuation profession?

**Nick Talbot:** I hope that the future of the valuation profession is, as I can see it, that of a global, consistent high quality profession around the world. At the moment it varies in consistency and the approach on a country to country basis, but I hope that we can truly be a more global profession.

**David Foster:** The regulatory environment is increasing, the financial markets are getting more and more complicated and as a result, I feel that the valuation profession has become central to keeping any system working effectively at all. So I think there is a huge amount of growth both in the number of appraisers and also a huge amount of growth in the technical knowledge required to do the job well. Groups like ANEVAR are taking the leadership of doing that.

**Andrew Strickland:** A lot of change is going to happen to the valuation profession, a lot of professionalization. I think currently, in many parts of the world, people do valuation as a sideline. I think business valuation will become more and more sophisticated, much better developed. In addition to that, it is going to be the spread

of qualifications and also, I think, the spread of regulation, especially in financial reporting.

**James L. Murrett:** Well, I think it's very bright, actually. The need for valuers, be it either globally or in one country is so important for the economy of that country and so I believe that with proper training, proper ethics, as we were talking about in this conference, the future is bright for those who really want to take the time to be knowledgeable and educated in the appraisal profession.

**Scott Robinson:** I think it's very bright, there are a lot of tools that we are learning about today and in the industry they will enable valuers to be more efficient in what they do. So technology is a good thing, I think we have to embrace it and to learn ways to use it to help ourselves to do more work, better, for more clients.



**Anton Leszja:** That's a 360 degrees question. In fact, it has been quite a development, especially after the crisis, as you can see or have information. During the crisis, the valuation profession was very much blamed for what happened, especially on the real estate and I think they are improving a lot in terms of standards, in terms of quality and that is not just for one of the sections of the profession, meaning either real estate or machinery but for the whole profession. So you see International Valuation Standards being updated regularly and more frequently, there

are new standards in place, they try to choose wording without ambiguities, and of course there are accreditations now which are required by specific areas of activity. One of them, for instance, which is underway in the US is called the CEIV, an accreditation for financial reporting purposes specifically. It is very strict and it requires quite strict rules and management.

This is another indication of the improvements required by the profession. Where it's going to be in 10-15 years? I don't know, but as professor Damodaran has stated, valuation is not an art as they used to say, it's not a science, it's just a craft. As a

craft, it means that you learn by doing and you change things as you do them. I remember when I took my first exam to be accredited as a valuer back in 2000 and I compare it with the subjects that are taught today and the training courses that I facilitate as well,

I see many things that have changed. Things that have been considered a taboo 20 years ago have now changed, they are discussed and challenged. So, it's an ongoing process, but at the end there is always that last moment when you write a number and you have to feel it. So it's not about science and it's not about a calculation, it's all about how you feel it and that's the mystery of the profession.

**Alexander Aronsohn:** I see the valuation profession as growing and encompassing all disciplines. Traditionally, valuation has not been recognized in the same light as

other professions, such as the legal profession, accounting profession,



medical profession and other professions. I also see it growing in terms of the disciplines that it covers. Previously valuation was very much looked at for merely tangible assets or real estate perspective, as shown by the development of the International Valuation Standards. Valuation now works across all disciplines, it covers both tangible and intangible assets, it covers business valuation and it is also moving into the world of financial instruments.

**Blue Hancock:** I think the profession has got a very bright future, as long as we can get young people come into the profession. I guess we're seeing in the entire world, baby boomers are going through and after there is depression throughout the world. In the 80's and some of the 90's, through Asia there was a big lack of people coming in the profession. It's turning around now and I see a bright future.

**Dr. Lim Lan Yuan:** This is interesting, I would see it as bright because it depends on different types of assets evolving. For real estate there is always growth and development, in particular for the emerging countries, they are building there, then with increased urbanization and their cross border investment, there will be a need for real estate valuers. And for other types of valuation, for example IP, i.e. intellectual property valuation, the

potential is great, you know, with the emergence of IT, with the introduction of innovation collectivities, a lot of it has very interesting IP potential, a lot of IP is produced, so I think there will be a great need for IP valuers. This is an ongoing element itself. You know, this will trigger a great demand for business valuers.

**Edward AU:** Where we are in the profession we see a growth in the market all over the world because there are a lot of transactions, not only the listing of the property but also a lot of asset transactions are happening all over the world. So, the role of a valuer is very important and becoming more and more important in the world



and the status has been rising. I can see the future of the profession in the coming years expanding and we will need more and more the highest professional valuers to serve the economy. I think the future prospects for the valuers are quite significant and that the profession will become more important.

**Paul Sanderson:** The profession is going through an interesting transition at the present time, because there will always be a need for valuers, as property is so important, but valuers will need to change with the times and in particular with the advances in technology that are now available. So, valuers have to prove they are worth the value added they provide, because these days many people can obtain a valuation from the internet

instantly. But those valuations are not, of course, as reliable as a carefully considered, fully researched valuation, so my view is that there will always be a need for good, ethical valuers, but they need to embrace and use modern technology.

**William Hanlin:** I think it's still a growth profession, in most parts of the world, largely because stakeholders like banks, regulators, attorneys haven't yet come to understand the value. That will change over time, as there

are more valuers who are out telling people, oh, you know, I can do a valuation for your business and this is a benefit, people will start saying, I need to have one of those. In America what we found was that the place to introduce business valuation is through the legal system. 20 years ago, judges were just making decisions on value based on what people were telling them. Today judges will not make decisions without a valuation by an independent valuer. That has populated business valuation projects all over America. That's what's starting to happen in the rest of the world.

**Don Gilbert:** I think the profession is evolving, I think it's got a long way to go, that standardizing is good, you can always standardize but you're always going to revisit it, revisit and refine. I think that what is going on worldwide, including in Romania, Romania is very progressive, and I think there is a great future. But people are always going to simplify things. Ordinary valuers in the street need to understand things and valuation

is not that difficult. Academics can confuse valuation principles, can



confuse valuation methods etc., well, let's go back to simple.

**Jeffrey S. Tarbell:** The future of the profession... I think that there is a push for convergence of standards, but I am not necessarily of the opinion that that is realistic. In the US there are certain organizations that have their own standards which they have followed for decades. I think it is going to be really hard to influence those organizations to drop those standards and adopt something else, in line of the fact that the similitude among these standards, some of the major standards, like SSVS or USPAP or IVS, has caused a lot of talk in the last few years. Unfortunately, I think that proof that the standards are very similar is not helpful to convergence. Some of those organizations may come to say, why do we drop our standards for another, if they are already the same? It's a little circular, but I think it's a noble goal that all the appraisers in the world follow the same standards. But I don't think it's realistic. So you know, that's one topic about where the industry is going.

The other one I think is, unfortunately, that we are probably facing more regulation. Valuers in some countries are regulated, in others they are not. I like to think that appraisal is a personal opinion and that it's kind of a fruitless thing to try to regulate the provision of a

personal opinion. I am in favor of regulation, standards, but I'm not in favor of having a rule like one must be a licensed appraiser to provide services in a country or something like that, because I think the market for appraisal users is smart enough to figure out quality when they see it and I don't see, at least in the US, the problem that some countries have seen in terms of bad quality appraisals. We have a little bit of that, but I think that the market solves that problem by itself, by shutting those folks out of the market. Customers don't hire those people and if they do, frankly, then shame on them, for not researching the appraisers' credentials.

**Mauro Bini:** I think that till now, the valuation profession has been



considered a domestic activity and in the near future we can accept the idea that the profession is a global profession and so we need to develop not just valuation standards, but professional standards at international level. This will be a second step in the evolution of our profession. In addition, I have to say that globalization requires similar approaches in valuation and jurisdiction matters. Just to give an example, in the US, in business valuation, the valuation guidelines provide for adjusting the discount rate instead of cash flows. Why? Because there is a different responsibility for a valuer, if a valuer adjusts, for example, the plan of a company instead of adjusting the discount rate. In Europe,

at least in continental Europe, we prefer to adjust the cash flows instead of adjusting the discount rate. Usually we follow CAPM in order to calculate the discount rate, but in order to adjust the expected cash flows, many times we have just the most likely cash flows, we need to adjust them. So we have these different approaches, but presumably in the future we have to change to the approaches that are more similar, but not very soon, because of the different jurisdictions.

**Diana Nikolaeva:** I see the future of valuation becoming more complex. It will require more extensive expertise in different areas, which does not mean that the valuers should not be cooperating with other specialties in order to come up with the right analyses, but businesses

are becoming more complex and understanding both markets as well as the technical approaches to valuation becomes a big must.

**Andrey Artemenkov:** There is very much a traditional debate about whether valuation is art or science, but I think an element of ethics assures the future of the trade, because, every valuer's calculation should answer the question: are prices ethical or not? Should we create values in the likeness of prices or should we adjust prices to develop sustainable relations? The notion of sustainability in valuation I think is much underexplored. It is good we are in Romania, now staging in a conference on ethics, because I think ethics is an integral dimension

of sustainability in valuation, but sometimes we have a very narrow



perception of ethics. Ethics is just, in the professional sense, best practice or something of the kind. We should think outside the box and probably also account for the fact that the public interest dimension is of great significance, because the valuation profession is like a public utility i. e. a societal enterprise. We should think further what it means to be a public interest profession and what is the notion of public interest in what we do and how we serve public interest. Is it good just to reflect prices or we should somehow try to put an element of sustainability and adjust prices and judge the values we certify sustainably or not? How to judge? We have to develop a framework for that and it should be an ethical framework. So I think, we should focus on ethics and consider the notion of public interest.

### **What changes do you think are necessary in the profession to align it with the evolution of the society and the business environment?**

**Nick Talbot:** In my point of view, what's happened is that every country, historically, whether you look at accountancy or valuation or anything, used to do business primarily within its borders and it developed its internal systems and approach. Where we

currently are is there are global flows of investment around the world, but we haven't actually caught up yet in terms of having a global financial system and so I think what's really important is that we work together with different professional bodies such as ANEVAR and the equivalents around the world to use the same standards from a valuation point of view. In other words, international valuation standards as well as having comparable, the same ethical standards and also consider best practice in terms of professionalism. That is the best way for a valuer to demonstrate competencies and make sure that we all do the right work in different countries around the world to make sure there is good professionalism in every country that the public have confidence in.

**David Foster:** If people do valuation well, it reduces conflict, which has a great social value. I think that's important. There are enough other reasons to have conflict in the world, so if we can minimize it here, it is something positive. I also think of more training and exchanging of expertise. Technology certainly helps in better research and market comparables, so data is helpful, but I think the most important thing is sharing of expertise, standards, expanding the understanding, I think that's even more important than technology.

**Andrew Strickland:** I think there's a real concern in countries like the USA and also in the UK and everywhere else as well, with financial reporting being increasingly reliant upon valuation choices, valuation issues, therefore I think that the valuation profession has really got to keep up with the pressure that's coming with the regulators, respond and develop its credentials that are worthy of the name and become much more professional, in the sense

of setting professional bodies.

**James L. Murrett:** I think appraisers have to be flexible, flexible to alternative products. Don't be afraid of technology, use technology as your friend and as being able for you as a valuer to be more efficient and use the tools that are out there to really understand what's going on at the marketplace.

**Scott Robinson:** I think a profession as ours is recognized as the place to go when you need a true answer, so if we maintain our integrity and keep a high standard level or of ethics, the world will look at the valuation profession for those answers to continue.

**Anton Leszja:** I would not say it's technology, though, of course, if you work in Excel, you do things quicker, but it doesn't mean that you do them better. A good valuation can



Anton Leszja

be done by hand and still be a very good one. Of course, it will take more time. More than changes, I would expect some improvements and these require, I would say cooperation between VPO's because sometimes VPO's set their own standards and they say: "my standards, I don't want to change them, they are the best, I don't want to care about the standards of the others". What I see as a good thing is that there is more and more an understanding, rather a consensus, to use a better word. There is a consensus that International Valuation Standards are becoming acceptable worldwide,

so even RICS has embedded them in their Red Book of standards, even USPAP in the US are trying to find the common points with the IVS. This is a good thing because once you say something in one standard, it should be understood in the same way in the other standard and that improves the profession. Training is very important, so that brings us to the quality of trainers, the intensity of trainings. Of course, the best training is doing things, be on the market and do projects, but still, from time to time, you need to go back to the theory and to understand that. Then about technology, I hear today that block chain is going to replace accountants and everybody is going to be replaced by block chain, I don't know very much about it, so I'm not going to talk about it.

**Alexander Aronsohn:** I feel it like any profession, it needs to be adaptable, it needs to be able to change and adopt the market needs in order to operate in the business environment in which it operates. It also needs to recognize that different markets will have different requirements and

will be at different stages of their development and that's why International Valuation Standards work as an overarching standard, it supplies the high level principles that everyone needs, but at the same time, it has the flexibility for departures, so if you have particular requirements within your local market, such as in mortgage lending value in Germany, you can still follow your local requirements and be compliant with the International Valuation Standards.

**Blue Hancock:** I think professions align as social aspects change and the economy changes. I think the

profession is aligned now and I can't see major changes that we need to do.



There is always going to be disruptive technology and it will influence the commodity market and many other domains, I cannot see it influencing to a greater degree the valuation world. In every business, we see this.

**Dr. Lim Lan Yuan:** I think that particularly the younger valuers will need to be prepared for increasing certification and the skills that are required because of the changing environment, which means that the professional bodies will engage with institutions that organize certification for other forms of valuation, they want to make sure to give members the possibility to update their skills.

**Edward AU:** As we have an expanding economy, we need more and more asset transactions, property transactions, we need to do a lot of valuation work, but, in return, we have to face the reality that maybe we will need more control, and I mean standards in the performance of the valuation profession, for the profession as a whole. That's why we need to set out rules, guidelines, certain standards for all the valuers, so that they can follow exactly what is required to conduct the valuation well. So, I think in the future in the Institute and even in ANEVAR in Romania and in other institutes in different countries, we need to follow closely the confidence in professional ethics, whether they need to set up

a very tight, or comprehensive rules of conduct or a standards' booklet or guidelines, so that their members should know very clearly what they should do, what they should not do in carrying out valuation work. I think this is the most important aspect in the coming future.

**Paul Sanderson:** Obviously, you've got a number of things which are going on at the present time, one of which, of course, probably the most important, is globalization. We now live in a global world where communication is instantaneous around the world and valuers therefore need to embrace that global technology as well as the two most recent developments, which are artificial intelligence and augmented reality, because they offer the tools for the next phase of property valuation.

**William Hanlin:** One of the things that's very important and Nick Talbot (CEO IVSC) talked about in his presentation is everybody having the same standards. Every organization has developed its own standards out of necessity for its members. But we need to move to having the same standards, not for us, but for the stakeholders. Again, referring to America, huge confusion, not because the standards were so different, they are not, but the regulators were going, we don't know what you're talking about, when you say, I'm doing this according to standards, what does that mean? And what they don't want to do is they don't want to have four sets of standards in front of them to find out what the valuer is doing. In China,

until recently, you didn't have to say what standards you were following, the Chinese standards or international standards or other standards. That created lots of confusion in China.

**Don Gilbert:** The public at large expect standards. The evolution of valuation is that valuers should not drop these standards at all. On the other hand, I think the public at large also need to know that a valuer needs to be paid properly, so I think the two go hand in hand. They need to understand that valuers give a valuable time to get good values. There is a saying from Africa, where I come from, "If you pay peanuts, you get monkeys".

**Jeffrey S. Tarbell:** I think technology has affected business valuation greatly. I have been doing this long enough to remember the difficulty of finding data, for example.



Having one information about a public company, you had to make a phone call and it would be shipped to you, it wasn't just available at a moment's notice. I'm not in favor of technology going so far as to be implying that valuation can simply become a formula, where inputs are typed it and an outcome comes out, but those kind of services can be found on the internet, the cost is a couple of hundreds dollars. I think the market does realize that you get what you pay for and that's probably not a meaningful answer, it's a formula, it's a map, but it leaves a major part

out. So, technology in valuation is helping us to communicate faster, to get the data sources faster and have access to data sources in places from around the globe, but I would hate to see it, sort of a next stage, with the application where valuation can become just an automated model.



Jeffrey S. Tarbell

**Mauro Bini:** There was today an important presentation about the idea that valuation is one profession and that we need to consider these professionals in the same family, even if one specializes in real estate, another in machinery and equipment or business valuation or intangible assets. This is very important, because if we cultivate our similarities, we are able to improve the approaches that we follow and we can avoid a silo approach in our valuation. This is very important because with the development of the financial markets and the real estate markets, presumably, the way we use the information from the market must be very similar in different fields of the profession. I think this is another kind of evolution that the society is asking from us.

**Diana Nikolaeva:** Our profession, at least the way I see it, adheres to very strict professional ethical standards, so I see it's one of the most regulated professions. Considering that the whole financial world is getting into fair value accounting, for accountants to account for the fair value of certain assets they need the right value. The

auditors, in order to sign the reports, they also need to have that comfort, so trust me, valuation becomes key in exercising the right judgment and analysis. This is a very important aspect of the whole financial business.

**Andrey Artemenkov:** Lately I noticed that the valuation profession itself is fragmented, between property valuation, business valuation, plant and machinery valuation. It's good and it's bad, because what is so much appealing in the IVSC enterprise is that they want to bring all specialisms in valuation under

one umbrella, that of the international valuation standards. On the other hand, we've got EVS, a European valuation standards program that wants to limit valuation to just property valuation. Judging between the two, I think there is a common methodology among the specialisms in valuation and in my presentation I'm going to speak about that actually in greater depth. We should realize that we are united by common methodology and we shouldn't split the profession into branches, which probably occurs

because this common methodology between valuation practices is not so much in prominence. It's not, and that's why I think we should think harder on embracing the profession under one umbrella.

### **What types of valuation do you think will be required more in the future?**

**Nick Talbot:** I think that all types of valuation are going to be required in the future, but there might be different ways of achieving the end result. Because, obviously, what we see is more automation, we see more data, the impact of technology. I believe that good professional valuers will use technology effectively and potentially provide more professional judgment on the input that they find, but I think, specifically, we'll see broad scenarios such as business valuation and financial instruments asset valuation.

**David Foster:** I think all types. The most complex is still what is generally called business valuation, because the assets are becoming increasingly complex. There is obviously so much value in real property but intangible assets, minority interests, all of these things are becoming more and more complex and I think also more and more important.

**Scott Robinson:** I think, more intermittent valuations where the accounting rules are changing all the time and people need value more



David Foster

often, so we'll see more of those, maybe quarterly, semi-annually or annually, in addition to the fact that banks are going to find themselves in a need for that type of valuation.

**Anton Leszja:** You know, real estate is older by definition, by time, so I think it will continue as long as real estate is there. The same for machinery and equipment. What is being more and more required

is the development of intellectual property and several intangibles. I think that probably we will see more new methods, new approaches to the valuation of this type of intangibles. Business valuation, I would say is more dynamic than real estate which is more stable. Even machinery and equipment has its own development to go, but they are so specific, because machines are specific themselves and I won't talk about it.

**Andrew Strickland:** Business valuation, I think. Where regulation is going to come in is valuation for financial reporting, I am sure that's where it will start, but, obviously, in addition to that, contentious valuation is always going to be present in our world, in valuation for divorce purposes, in valuation for shareholders disputes and other contentious types of valuation that are going to become increasingly common, I think.

**Alexander Aronsohn:** I believe there are two aspects involved in the answer to this question. The first aspect is we obviously have the growing fields of business valuation and financial instruments, I believe that the results of that will be people that are valuers working across all specialisms. Also, in order to increase transparency and reduce risks within markets, I think valuations will be required more frequently for a number of different purposes.

**Blue Hancock:** Business valuation. All valuation is going more complex. All over the world and in New Zealand there were changes in the way of looking at things, so, yes, there is going to be changes as we go through.

**Dr. Lim Lan Yuan:** I would say that the trend that I already mentioned, IP valuation, will be something that will be in demand.

**Paul Sanderson:** I think both real estate and business valuation will be required in a future that will increasingly be looking for valuations

which identify properties and reflect the value of properties that can be



adapted to many uses, potentially, rather than necessarily properties that are just being valued for one particular use. The changes in our working patterns mean that the traditional office building, retail unit, warehousing and manufacturing businesses are all changing dramatically and quickly, therefore the properties that can best adapt to that changing market reality are the ones that are likely to have the most value.

**William Hanlin:** I think the kind that are required now. For mergers and acquisitions. More than 50% of valuation work in the world is for M&A. Buyers don't want to buy for too much, sellers don't want to sell for too little. From there, it expands out, for financial reporting, but that's mostly for bigger companies, for bankers, but that's more like a M&A valuation. For taxes. Every government in the world is looking for more money and every government in the world says, look if I give you my stock and I don't get any money for it, you get something of value and I want that to be a taxable event. So how do you value that properly for the tax authorities? Then, of course, there is controversies. You know, from a simple divorce, which is usually

not simple, partners who fell in love with each other and decided to start a business 20 years ago, now they can't stand each other, or even for children who inherited the business and two of them want to keep the business and the other four, they want the money. So valuation helps play an important role now.

What people need to remember is valuers don't set the price, they advise on the value. Buyers and sellers set the price.

**Don Gilbert:** I think all assets need to be valued. There has been too much emphasis on assets that are not real assets, financial instruments and so forth. I think all assets, immovable assets, intangible assets which is a



different cause, you can have movable, immovable assets, companies etc. need valuation. I think business valuation is an area that is definitely evolving and even in Australia, business valuers are getting better at it.

**Jeffrey S. Tarbell:** The trend that we've seen in the US has been that there is a big portion of valuation being done today that is for financial reporting and valuing portfolio assets of private equity funds or hedge funds, that's going to be a big market that almost didn't exist 10 to 20 years ago. That's a major change. I don't necessarily see that growing as rapidly

in the future. I think that one end of that is that as more people enter that industry the pricing is going down, so I think the deflation in the pricing is nearly overtaking the growth in the volume of activity. That's part of the problem with regulation, as it gives users of valuation the impression that all appraisers are the same. If they all have a license, a customer of valuation firms can easily think that as long as the appraiser has that license, then you are the same as the other appraiser and we know that's not true.

**Mauro Bini:** With the adoption of the International Accounting Standards 10 years ago, we assisted at an increase in valuation for financial reporting. Now this is an important part of valuation. I think that another important part is valuation for M&A and another part is for tax reasons. I think another is valuation for decisions for the entrepreneurs. The entrepreneur has to understand what is the value of the company before making any decision, a decision, for example, to buy another company, to sell the interest in the company or even to make a big investment for the company. This culture for value creation is something different from valuing a company in a point of time, but we need an approach that is able to explain to the entrepreneur which are the real value drivers that the market considers as value in a business. I think that many times the errors in the management of a company occur because they avoid to consider the macro-effects that are captured by the market. So, if we are able to interpret the market and to give this message to the entrepreneur, presumably we can have a better management of companies.

**Diana Nikolaeva:** If you look at the financial reporting standards, the fair value concept goes round all types of quests. Of course, the cost approach is still applicable in a number of cases,

but I rarely see it coming everywhere. If you just take the example of biological



Diana Nikolaeva

assets, they need to be recorded at fair value according to IFRS.

**Andrey Artemenkov:** Certainly, each separate specialty is not going to be much without its own niche and evolution, but they should evolve together and interface closer with each other. The national societies should have boards for each specialty, but those boards should be united under the umbrella of common methodology. There should be more research put in tying the fields. Right now I think there is a great issue of fragmentation, because each specialism wants to set up their own professional interest and embrace it under their own society and it should not be like that. Valuation society should be just like that: it should be national relations for each and every specialism in the profession.

### **What other professions do you think should collaborate more with the valuation profession?**

**Nick Talbot:** I think that accountants and auditors should collaborate more with the valuation profession. Lawyers, too. I find that is interesting talking to different professions, but I say accountants and auditors, because valuation is such a key fundamental area for any company, any company that's

listed on the stock exchange. It is a key feed into financial reporting, so there are really strong interlinks. But I always find it surprising how accountants and auditors don't always fully understand where valuers are coming and how they performed their analysis and there is also more that valuers can do to understand the needs of auditors and accountants. So I think both professions should work closer together.

**David Foster:** There is always a little bit of a battle between valuation and the international accountancy rules, so collaboration with IFRS will be an area for better cooperation. A second area is with private capital, the private equity professions, where there is often a very careless attitude to the valuation profession and that causes financial uncertainty. So I would say those two, the international accounting and the international private capital professions.

**Andrew Strickland:** In many parts of the world, the valuation, that is the business valuation profession, springs out of the accountancy profession. I think real estate valuers, spring naturally out of people who do real estate surveys, so valuation comes from two very different professional angles. I think, as far as business valuation is concerned, which is what I can talk about, I think increasingly, the professional accounting organizations are going to have to develop and produce better valuation for business purposes.

**James L. Murrett:** I think valuers have to be involved in all the aspects of a transaction, be it the brokers, be it the developers. As appraisers, we read the market, we don't create the market, so we have to know what's

going on out there, so we definitely need to collaborate with all of the market participants, to why someone paid what they paid for a property, what are the market forces out there.

**Scott Robinson:** I think a best friend also can be the lawyers, because the legal profession believes in and supports the truth and they want a good answer when they are put in a position of having to deliver that answer and so they trust us. So I think to the extent that we can work with lawyers, the second is accountants, their industry is evolving around the valuation profession's world, so I think we can collaborate with them.

**Anton Leszja:** Of course, lawyers. In the US, litigation is one of the core sectors of valuation activity. In Europe and especially in our region, Central Eastern Europe, because of the old communist system, we didn't have those problems. But now, as private businesses are also associated with divorce cases, i.e. how to divide the property, the need for valuation for litigation has gone up. As part of Deloitte, I see it in all offices, our teams are involved in litigation cases, so we have to collaborate with lawyers. Accountants, by definition, because once you talk about financial reporting or purchase price allocations, you definitely have to talk to auditors, to the CFO's of the companies. Then, as I said divorce cases, they mean that you have to talk to the wife or to the husband, according to which one you are defending.

**Alexander Aronsohn:** I believe that we already do collaborate with a number of professions. My experience has been linked to tangible assets, to real estate valuation, also in Romania, Africa as well, and it's part of our work. We regularly have to collaborate with accountants, lawyers for the report on title, developers, contractors and people within the construction industry. Sustainability is becoming

more and more an important aspect of valuation as well, so I don't think that I would have to collaborate with different professions from those I already do, we just have to think that the lines will become narrower and



Andrew Strickland

that we will have to collaborate better and more often and work together.

**Blue Hancock:** I think we got to relate or interrelate with all the professions that involve property: banks, accountants, building engineers, surveyors, they all play a part in property in the world over.

**Dr. Lim Lan Yuan:** Outside the field of established businesses, where the accountants are working closely with the valuation profession, valuation of a business, when it starts, is really seed valuation, so that is linked to IP valuation, but if we are talking about all operations, we can collaborate with accountants, architects, the lawyers who are involved, the legal aspect of valuation, I think that would be useful.

**Edward AU:** We are touching on a very wide scope of work. I can see that the accountant, the banker, some other engineering professionals have to work together, collaborate with the valuer. Because we cannot work by ourselves, when we work we will touch upon some other aspects. When we value a property, for instance, we have to look for the functional safety system, look at the inside, the foundation and so on, aspects that relate to the building. We then need

to consult the building experts, or the engineer. If we work for mortgage, we need close cooperation with the banker. I think all these professions have to work together to enhance the scope of professional valuation all over the world.

**Paul Sanderson:**

The two obvious ones are the legal profession and the accountancy profession, but I think it will be sensible for valuers to be much more in touch with engineers, with architects, with designers

and in particular, with people who are designing the new methods of communication utilizing the internet.

**William Hanlin:** Obviously, accountants. Accountants think they can do a valuation and they can't. Accountants are required to do valuation because of the financial reporting standards, but they don't know how. If you are the auditor and you're signing that report saying, ok, everything is ok in this audit report, you have got to know something about valuation, if there are valuation issues with that company. But a lot of auditors are afraid to trust you. A single set of standards would help that because that way there is more uniformity and there is more certainty. But smaller firms like my own are at a disadvantage to bigger firms for projects like that, because the auditor is becoming a party, too, it's not just you and your client, but also the auditor and you've got to be able to explain to the auditor what you did, so they're going, ok I'm comfortable with that, I'll sign this report.

**Don Gilbert:** It's a good question. I think the accounting profession is the most aligned to valuation. I've really had my career in property, so I still say there is a place for property

valuers and a place for accountants and the crossover of the two is not that great. But valuers also have to raise their standards, otherwise they can't expect the accountants to step it.

**Jeffrey S. Tarbell:** It's a good question. The obvious answer is the accounting profession, but I think that's already there, but there is an inherent conflict, you know accounting firms audit valuation work. I think collaboration on the standards is helpful there, but, you know, there is a natural tension and those accounting and valuation firms can't really collaborate too, because accounting is there to regulate the other in a sense.

I think it would be more helpful if we could have data, if we could get a collaboration from those facilitating transactions that are not publicly reported. We have all the access we want about publicly traded companies, but there's far more, hundreds and thousands of times... the number of private companies far outweighs public companies and the transactions of those private companies are vast, but the data is not available. What data we do have is sometimes hard to verify, sometimes subject to dispute. It would be nice to have better insight into, for example, what the buyer is thinking when they are making a position, because that would help to get better pricing evidence from transactions. I think better collaboration with maybe the business broker or the investment banking community would be useful.

**Mauro Bini:** The closest professions to valuation are accounting, of course, auditors. There is a field in tax, however, in particular in transfer pricing where you can see that companies with very high level of intangible assets on average, in the world, pay lower tax rate. This means that transfer pricing, when we have intangible assets, is something

difficult to check and to audit and to control by regulators. I think that this could be the next frontier. Even if we read the documents from the OECD, we can see that those documents are not written by valuers. I think that valuers can help in giving guidance and perspective to improve that analysis and valuation. I think that the next field in which valuers can combine their competences with other professions is tax, transfer pricing of intangible assets.

**Diana Nikolaeva:** I depends on the aspects. Of course, valuers need to understand the lawyers, they need to understand financials. If you are doing business valuation you need to understand the financial statements, but, like I spoke about early stage valuation, you need probably to talk to some very specific professionals in order to understand the product itself, so I can't distinguish a particular profession that could be of relevance for everybody, a general rule, I can't say we need some experts more and others less.

**Andrey Artemenkov:** Taking note of the previous IVSC, in the previous editions they set up bridges, interfaces with accounting measurements, the idea was to do the same for the public accountancy world. With the 2017 edition, the whole idea of building bridges, building interfaces with other contiguous specialisms of economic measurements has been lost. Because at international level they're not doing that kind of link, I think at national level different organisms should be doing that on their own. I would suggest mass assessment - I was pleased to learn that in Romania mass assessment is done by valuers - where we can

cooperate with building experts. By mass assessment, I mean valuation of constructions. Another dimension would be the assessment of the efficiency of public investment



projects, a specialism that is much underappreciated. Why not build cooperation with that specialism and bring professions form there to sit on the board?

### **Do you have a message for ANEVAR members?**

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**Nick Talbot:** The only message I have for ANEVAR members is that I think that the system you have in Romania is a good system compared to many countries in the world and from an IVSC perspective we're delighted that you use International Valuation Standards, we're delighted to be here at what is one of the most important conferences from a European perspective.

**David Foster:** ANEVAR has been around for a long time, it's one of the longest established valuation associations, and it's interesting for one in Romania and all members of ANEVAR to see all these other groups starting to form around the world, sort of following behind. My message is that you've got an incredibly strong organization here that you should be very proud of, because it's doing the highest level training and programming. My impression is that ANEVAR is a leader.

**Andrew Strickland:** I am very pleased to be here, delighted to see so many people who are going to be here. I think that you should be prepared to embrace change and recognize change, that's not just for you in Romania the change is going to happen, it's happening for all of us all over the world, for instance we see now that there's professional qualifications being required in Saudi Arabia, there is more regulation in India, in the USA, the ACC and so on. I think people should be prepared to embrace change and welcome change, because it will come, whether you like it or not.

**James L. Murrett:** Keep doing what you're doing! ANEVAR is a wonderful organization, I believe that ANEVAR is the standard for Romania and so I give you a lot of credit for really highlighting the ethics in the valuation, because as I am going to say in my speech, you know, can you teach ethics or do people have ethics? I think for ANEVAR to bring this topic out in this type of congress is a wonderful idea and then keep it up! Good job!

**Scott Robinson:** Always strive for excellence!

**Anton Leszja:** Cooperate, to cooperate with each other.

**Alexander Aronsohn:** We're very glad and very proud to have ANEVAR as a member of IVSC and we want to continue to work with you in growing our profession and establishing the valuation profession around the world.

**Blue Hancock:** Practice your profession to the best of your ability.

**Dr. Lim Lan Yuan:** The event of September 6 is also WAVO conference and we are a world association of valuation organizations around the world. Of course, ANEVAR is a member of WAVO, so what ANEVAR could do is to try to spread the message to get more of the members to participate in the conferences we

organize, because we have conferences around the world. The interaction, the discussion on valuation topics related to the world, that would help ANEVAR professionals.

**Edward AU:** This is my first time in Romania and I find that the Romanian



people are very friendly, very warm and I would say that ANEVAR will have a very good prospect in the coming years, because of the expanding economy in Eastern Europe, which will bring a very important growth in the valuation profession.

**Paul Sanderson:** I'd like to say thank you very much for inviting me to come as a speaker in the international events you organize here to Bucharest. I've enjoyed visiting your beautiful city and I hope that ANEVAR members continue to thrive in the future.

**William Hanlin:** Just keep learning. Don't think you know everything, be willing to be wrong. I'm also an instructor and it's really interesting what I tell adults about how to do valuations that in the end they need to be willing to say, I can have a different answer if I had more information. But most adults won't say, I made a mistake, they won't say, I'd have a different answer, they get married to the number. They need to be more flexible. Maybe that's the message.

**Don Gilbert:** Thank you for your hospitality!

**Jeffrey S. Tarbell:** Thank you very much for inviting ASA to take part in

this autumn's events! What is going on is very impressive, it's clearly one of the most developed VPO's outside of the US. I dealt with folks in many countries, teaching and through my activities with ASA and it's good to be here, to see how much activity is going on outside the US that we otherwise wouldn't know about, it's very impressive.

**Mauro Bini:** I just want to congratulate ANEVAR for this kind of initiatives, I think this is a very important event. I know the effort required to organize an international event,

but I think that behind an international event, there is a big message: this is a global profession, we need to share experiences and if the final goal is to have a global profession, this is the best way to improve the quality, at the domestic level of valuation. So, congratulations!

**Diana Nikolaeva:** Keep enjoying!

**Andrey Artemenkov:** I am very impressed that ANEVAR is very much on the international events map, with 2 conferences running on the 6th and on the 7th of September. I am very glad that you have your own, national law, that pretty much interprets valuation as a public interest profession, explicitly. I wish this conference will be like an enlightening event for bringing the Romanian perspective to what public interest means and how it's manifested domestically in the profession. When participants will go back home, they are going to talk to others and speak about the achievements of the conference, I am sure there will be something. I think from tomorrow and for two days continuously we will impart new knowledge with others and learn from the others. ■

# Interview with 2018-2019 ANEVAR Board Members



Interview by  
Raluca Șlicaru

## Please refer to your most significant plans for the 2018-2019 mandate.

**Dana Ababei, President:**  
As I already mentioned in the interview I gave at the end of last year, the objectives I announced when I ran for the office of ANEVAR president stay the same. I consider them key enablers in the healthy development of the Association. Allow me to remind them:



- › To recognize the growing complexity in asset valuation by informing all the stakeholders of the legal requirements developments with regard to competence, qualifications and independence, thus raising the valuers' living standard and earning for them the respect of the public at large.
- › To continue and improve communication between the Association and its members by using all the communication channels that will grant access to information to all authorized valuers.
- › To uphold international reputation by promoting ANEVAR's representatives in the existing regional, European and international working groups, gaining us access to the newest information in the field.
- › To strengthen the image of the profession, a liberal profession that requires authorization, knowledge, experience and competences that are different from the other liberal professions such as the accountant, auditor, fiscal consultant, architect etc. professions.

- › To support the valuers' independence with a view to creating a working environment that matches the risks valuers take.

**Sorin Petre, First Vice-President:**  
I believe that the main objective that we should follow not only in the next two years but also on the long term is to strengthen public trust in the valuation profession managed by ANEVAR. In order to achieve that, one line of action that I am determined to follow during my mandate in the Board is to keep looking for valuation services that match the market. I expect services such as valuation for financial reporting, valuation in insolvency or valuation expert opinion in litigation to be more in demand in the future. In this context, I believe that

ANEVAR should permanently support professional training in valuation, by addressing in its conferences, courses and seminars topics that meet the demands in the market. In the same time, by virtue of its competence as an Association, ANEVAR must continue to engage in the identification of the need for valuation services of the public and to make an active contribution to accessing them in a professional manner, in keeping with the principles and notions embedded in the Valuation Standards.



**Daniel Manate**, 2016-2017 President: I am engaged in the international representation of the Association. I have been appointed to assess a VPO from Bulgaria that is planning to acquire TEGoVA certification, i.e. the competence to award the REV (Recognised European Valuer) qualification. As part of the same activity, I will meet the representatives of the financial market regulator from the Republic of Moldova to support their valuation approach for the capital market. Domestically, I coordinate a team tasked with the update of the Business Valuation course. As for the continuation of the projects I launched during my presidential mandate in 2016-2017, I will refer to two of them, both very important: The 20 Year Strategy of the Association and a new IT platform. I support them with all my heart and I will work on them with the same dedication.



**Elena Apostolescu**, Vice-President: During the 2018-2019 mandate, my main objective is to harmonize ANEVAR Standards with both IVS 2017 edition and EVS. We must bear in mind, however, that they must be complemented with valuation guidance notes developed by ANEVAR, because they should match Romanian realities. By the end of my mandate, I wish ANEVAR could have a set of standards and guidance notes that reflects on an improved quality of our valuation reports.



**Anuța Stan**, Vice-President: To continue to update the introductory course handbooks by adding to them a set of case studies and topics that enable the trainees to acquire a larger part of the skills they need for a better understanding of how to use valuation approaches and write reports.



Last year, I coordinated a group of experienced lecturers in a collective effort to update the Real Estate Valuation manual, the 2017 edition. It represents the foundation of classroom recap seminars (Market Approach, Income Approach, Cost Approach, and Cadastral Identification) and online seminars, respectively. In addition, last year, another group of lecturers reviewed the manual we use in the Personal Property Valuation course, while this year we will complement the courses and seminars with a larger number of practical cases and case studies.

To diversify the offer of continuous training seminars, either as classroom or online courses. They will address both those who want to strengthen the knowledge they acquired in the training courses and those who want to go deeper into specific topics they come across in their common valuation activity.

Last year, I embarked on a number of lectures on “Valuation in Insolvency Procedure”. This year, I will have a co-lecturer from INPPI and we intend to deliver such seminars together for insolvency practitioners. We are thus trying to identify and clear all the aspects that insolvency practitioners should also know about valuation and, more importantly, what authorized

valuers should know about the importance of their work in insolvency.

We are going to call again on all the stakeholders to join us in this effort to increase and diversify our seminars, mainly based on the particulars of our activity.

**Rodica Hășmășan**, Vice-President: My first goal is to further what we have achieved so far and to improve what we should. I think Monitoring has completed a first stage from which we have learned something both as valuers and as a department within ANEVAR. Our plan is to adapt the monitoring activity to current realities so that it will prove useful to all the stakeholders.



**George Dogărescu**, Vice-President: The plans I am bringing to the 2018-2019 mandate are correlated with ANEVAR's strategy and bear on the specific experience I have acquired mainly in the past 6 years in domestic and international relations.



With regard to domestic relations, what I want to do is to continue to develop links with higher education and research & development institutions: to deliver ANEVAR recognized courses, cooperation for the development of scientific papers that can find an practical application in valuation, with the Romanian Union of Liberal Professions and, last but not least, with public authorities, because we must never forget that ANEVAR is a professional organization of public utility.

With regard to international relations, I have in mind to further cooperation and sign partnership agreements with similar organization. I am particularly thinking about our colleagues from Poland who have developed effective ways to put in place cooperation with various organizations and institutions. I also believe that we must take a step further on the way we paved some years ago, when we signed partnership agreements with the colleague from Bulgaria first, then the Republic of Moldova, Georgia and Montenegro. It is time to bring on board the colleagues from Turkey, Russia and Ukraine, because some of these countries and Romania belong to the same Black Sea region. That is why

I suggested to initiate “The Black Sea Countries Conference”, with the first event taking place in Constanta, Romania in 2019 and then, yearly, by rotation, in the other countries that will join the partnership.

I will reveal more about that in April, in the Domestic and International Relations Strategy.

Allow me to point out that all the plans, activities, actions and elements of strategy within either of the components should serve the same goal: to improve our activity and hence to increase the quality of valuation.

**Delia Bratu**, Vice-President: My plans for the current mandate, 2018-2019, are a continuation of



what I did in the previous mandate, but, simultaneously, I want to start new activities that can be successfully implemented.

One of the priorities is to make the Member Registration Department and Committee more effective in their activities, which means that we have to review the existing procedures and simplify them, if necessary.

In the light of the future development of the Association, it is crucial to manage to modernize the registration, data storage and processing procedures. That means to develop effective, user-friendly software applications that are in the same time secure.

We will have to implement new personal data security measures, in line with the specific legislation in the field.

Another proposal is to receive the member registration files in digital format (scanned documents), but we will have to see how to

convey these documents to keep data secure.

For the release of the badge and the distinguishing ANEVAR membership marks, it would be very useful to interface an application with the personal account. Every member could then upload the necessary documents, according to the procedure and the registry would turn automatic. This interface would open only after the Monitoring Report is finalized and the number of training hours for the previous year is satisfactory.

Another future project could be to develop an interconnected database bringing together those departments in ANEVAR that need to share data: Member Registration, Professional Training, Monitoring and Ethics.

Before we could develop and implement these proposals, my belief is that every member of our Association must understand that rules are mandatory and that efficiency requires discipline.

Discipline is about being informed, knowing and abiding by the regulations governing the profession, meeting all the requirements to maintain ANEVAR membership status, in line with the procedure.

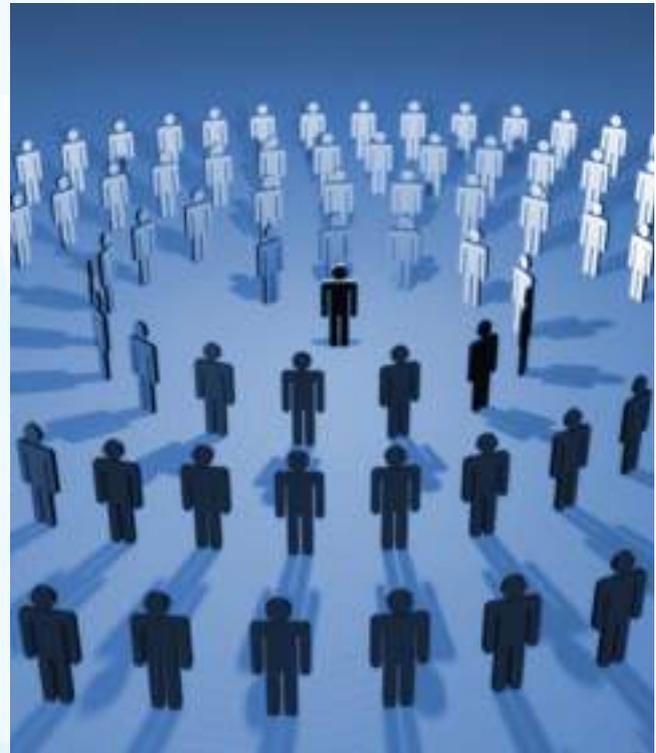
It requires individual responsibility, a better organization as well as better communication.



**Cristina Grigorescu**, Vice-President: Whenever I can (though it is difficult to spend time in front of the TV at 10 am on a Sunday) I watch a show devoted to high achievers in different professions, “Breakfast with a Champion” hosted by Daniela Zeca-Buzura. I watch it as an antidote to other shows where overnight fame

is a replacement for a reputation built in years of professionalism and brilliant results. Simply to see why. How others came to be the first, how they came to get respect and keep a peaceful place in public memory in a society where what matters most seems to be noise. Seemingly, the thing that gets most appreciation in any field is anti-performance, defined as whatever results in non-professionalism.

I cannot tell I know the secret, but what emerges from those interviews is that those professionals are equal with themselves, they are (by comparison) quiet and make no compromise in their professions, because compromise shows one day, like plagiarism that is now one click away from a text recognition software. In spite of the attempts of anti-professionals (who



are not only non-professionals but also denigrators of the idea of a professional), plagiarism is theft both from the legal and the moral points of view.

This and a twist of stubbornness, some idealism and a large portion of incurable optimism have made me want to continue. All that plus a grain of “anti”. Something similar to “anti-body” perhaps, which, hopefully, works the way Mother Nature created it, namely to do away with foreign bodies, not in the deviant way of autoimmune disease. If I continue, it is not for the benefits coming with a position (though it satisfies my rather well developed sense of vanity, to be honest), but because I have taken a responsibility. To be part of a group is likely to bring benefits, but it also comes with responsibilities towards the group, regardless of the group being a company, either a multinational or two people only, or a professional association whose reputation is made up of its members’ individual reputations.

Starting from the motivation of my engagement with ANEVAR, my plans for 2018-2019 are to help strengthening the reputation of the Association by fine-tuning its internal defenses (working procedures), improving access to information and increasing the adaptability of an organism called ANEVAR in a world that keeps changing at a breathtaking pace. In other words, to start doing what is proposed in ANEVAR's strategy, which we hope, all of us that took part in brainstorming, to come to life.

**Mihai Sîrb**, Treasurer: Staying permanently close to ANEVAR in the last few years (mainly as a lecturer, but also as a member in different working groups), I became aware that besides the attributes coming with the treasury position, a Board member is required to devote oneself physically (time, travelling etc.) and mentally (reason, integrity, honesty) to the general interest of the members of ANEVAR. My major plan is to address my colleagues' requests and to contribute to the projects of the Association, so that we may continue the good things we started and start new projects, in step with the times we live and work in.



**Reta Achihai**, Secretary General: "Many of life's failures are people who did not realize how close they were to success when they gave up." Thomas Edison

I would like to start a project on valuation in litigation cases, targeting valuers that are also expert witnesses, more specifically to increase their performance through dedicated training.

I believe that by pointing out how important it is to implement ANEVAR Standards in valuation/expert opinion may contribute to building a two-fold profile in the profession: a valuer who is equally a member of ANEVAR and an expert witness.

Consequently, I suggest complementing ANEVAR's guidance with a set of rules making a useful tool in valuation for litigation purposes.

A valuer is not to be seen as an interface between two parties who determine the value of "an asset", but as a professional who provides a correct estimate in a given economic context.



## In your opinion, which are the main lines of action to pursue to increase public trust in the profession?

**Dana Ababei**, President: Trust in our profession is something we build day after day, each of us does. It is not enough for those temporarily found at the helm of the association to devote time, money and energy to strengthen and defend trust in the professional services delivered by authorized valuers if they exercise their profession without taking into account the economic environment and the need to protect our common future. I believe that by acting day by day in the spirit of integrity, of respect for the code of ethics, by communicating what it is that we do, we can all of us enjoy everyone's trust, not only our users' trust. To abide by the code of ethics, the foundation of integrity, in its slightest detail can only generate trust. The pillars of trust when it comes to us, authorized valuers, are integrity, transparency and communication. Trust and transparency condition together the quality of an organization. In the same time, transparency, showing the truth, is vital for efficient communication. The art of communication is the art of telling the truth.

Irrespective of our field of activity, there is no trust between parties if there is no communication. We must communicate both as an Association and as individuals. We are currently about to conclude new partnerships with professional and employer associations to let it known that our profession may be a new addition in the local professional landscape, but we are guided by best international practice and ANEVAR is fully connected to national and international realities.

**Sorin Petre**, First Vice-President: The main lines of action to pursue are split into four types of activities, to my mind, each of them with specific strategic objectives that I intend to support during my term in the Board. These strategic objectives are the objectives I already presented in the National Conference from December 2017 in support of my candidacy for the future presidency of the Association. They include:

- › Professional training: adjustment of the training requirements for our members, in full awareness of the fact that asset valuation is getting more complex and that we need to meet the current market demands regarding valuation services.
- › Communication: improving communication between the Association and its members making use of direct, modern and efficient channels (selected following the members comments on their usefulness) to enable access to information for all valuers.
- › Domestic recognition: strengthening the image of the valuation profession (a regulated profession requiring specific knowledge and competences and abidance by the code of ethics); continuation and improvement of our cooperation with other Romanian professional organizations that are relevant for the valuation profession.
- › International presence: continuation of our cooperation with other international associations in the same field with a view to gaining access to the latest information in valuation and the trends in the profession – support for our members’ engagement in regional, European and international working groups.

**Daniel Manăte**, 2016-2017 President: One of the main directions regards valuation for litigation purposes where the Asset Valuation Standards should represent a common denominator. When such a common denominator does not exist, then the same asset, under the same circumstances will yield significantly different results, if one valuation is not compliant with the Valuation Standards. Another direction consists in shaping larger awareness on asset valuation as a profession and on the Association in the ranks of graduates from economic, technical or law studies. Most of the graduates are currently not familiar with the particulars of the profession, its usefulness for the

business environment and house owners. Therefore, contact with the representatives of the profession is often ignored, though it should be the very starting point.

**Elena Apostolescu**, Vice-President: What I find a very important line of action is to keep increasing the quality of valuation reports and there, an important lever is the Valuation Standards, of course.

The objectives of the Scientific and Standards Committee will continue to be bringing credibility to the profession, ensuring transparency, comparability and trust in valuation through good quality standards.

I am convinced that together, implementation of the Valuation Standards and abidance by the code of ethics, will lead to higher trust in the valuation profession in Romania.

**Anuța Stan**, Vice-President: I consider that transparency is a very important element that may lead to higher trust in the profession, both in the ranks of the public and the institutions. We must be open to the public, offer as much information as we can about our profession and demonstrate that we have an important role to play in society.

Another major element is quality. We must admit that it is only by raising the quality of our reports that we can preserve the very good image our profession already enjoys.

Consistency and diversification of the training materials and delivering review seminars in many more cities throughout the country are lines of action that enable easy access to the latest information and valuation methodologies.

Only by sharing information can we raise the quality of our reports, which will directly reflect on higher trust among the users.

I am convinced that by the end of 2019, we will conclude that these

two years have resulted in strengthening the image of the profession and an increased public trust in the role we play in society.

**Rodica Hășmășan**, Vice-President: Two of the lines of action must be transparency and communication. I hope that Monitoring will also reflect in the increased quality of valuation reports, within the boundaries of the standards, of course. An important step in asking for public trust and receiving it is to deliver a good quality “finished product”. That is only a necessary step. To be also enough we must do whatever we possibly can for the public to perceive it.

**George Dogărescu**, Vice-President: Starting from Goethe’s words “If you trust yourself, you inspire trust in the others”, I intend that whenever it is necessary, to present and represent ANEVAR’s activity, the Valuation Standards and the need to implement them, the existing specialisms and last but not least the field-specific legislation.

I believe we must focus on a better presentation and raise awareness on our profession among professional organizations within the Romanian Union of Liberal Professions. It can be a robust platform to disseminate the main features of the valuation profession.

I also believe that we should widen the area of events where ANEVAR is represented, that we should develop relations with banks representatives and other types of valuation clients.

In all these activities, we must emphasize that ANEVAR’s standing goal is to increase public trust through better quality valuation and compliance with the code of ethics.

**Delia Bratu**, Vice-President: Human and business relations are built on trust among partners. Trust is not an easy thing to get. Moreover, it can be easily lost.

A well-known phrase writes, “It takes a lot of truths to gain trust, but it takes one lie to lose it all.”

Trust is a feeling that one can count of somebody’s honesty, goodwill or sincerity. I invite all our valuer colleagues to think of the people they trust and of what makes them trust them.

My view is that trust, for those who meet ANEVAR members, first builds on competence. Any client must trust that an authorized valuer holds the needed competence to deliver the service he or she is required. As for valuers, they must prove it is so.

I also believe in honesty and goodwill. I am sure that whenever a valuer breaches the ethical principles of the profession for the sake of “pleasing” a client one

time, that client will not only lose trust for the future, but will also tell others that it is possible to influence a valuer. Both the profession and the entire Association will take the consequences.

Consequently, trust in the profession is something we each build and it is up to us to acquire the knowledge and competencies that ensure the good quality of our valuation reports.

The Board can act from the inside, by means of the resolutions it adopts, to raise the level of professional training and awareness on the observance of professional ethics.

In the outer environment, I believe that if we want to strengthen trust in the valuation profession it is important to maintain good relations with other professional associations as well as institutions that require the services of authorized valuers.

Efficient communication with the report users is also vital. Many times, mistrust can stem from misunderstanding the principles of valuation.

I believe that regular communication on the main achievements of the Association can also help build public trust in the profession.

To sum up, professional ethics, honesty, communication, good relations are all important to build a strong and trusted image of the Association and to recognize it as a major brand, nationally and internationally.

**Cristina Grigorescu**, Vice-President: In terms of lines of action, professionalism and the responsibility of each member of the Association. Value (both as the added value of the delivered service and as a conclusion on value) should never be negotiable.



ANEVAR Board 2018-2019

Professionalism and responsibility of its members and, in addition to that, constant support in the consistent implementation of the Valuation Standards are the first-hand means to increase public trust in ANEVAR.

**Mihai Sîrb**, Treasurer: I have not come very often in contact with valuers from other countries, but I could not help noticing the level of public trust they enjoy (a 10-15 page long valuation report is never questioned). I would like to see that happening in Romania, too. We have done and achieved a lot in this respect,

but though we are on the good way, there is still much to do.

In my opinion, a key element in this endeavor is the trust we give to each other in the profession. When we come to the point where we trust our colleagues' professionalism, the public will look at us with different eyes.

**Reta Achihai**, Secretary General: The activity and the consciousness of every ANEVAR member should be chiefly concerned with professionalism and respect.

Consequently, it is beneficial for ANEVAR to be active in the territory and organize events in regions left out from the map of professional events and to engage (not only formally) the organizations and institutions whose activity is relevant to valuation.

Another line of action is to improve performance, hence to increase the visibility of sole practitioners or smaller firms on the valuation market.

# “In Rallying and in Valuation We Must Keep Eyes on the Rules”

## Interview with Elena Apostolescu, ANEVAR Vice-President, General Director CMF Consulting

› Interview by Raluca Şlicaru

### How did you find out about the rally?

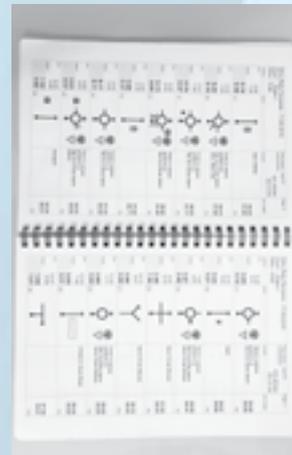
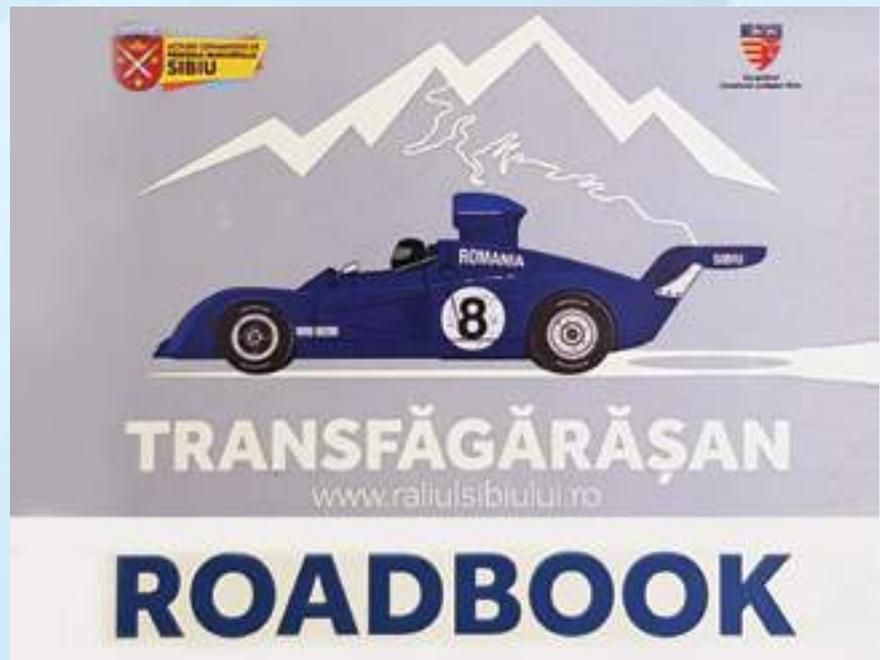
I learned about it from the dealer who sold us the electrical car. I must say that we were the only people in the race who actually owned an electrical car. The other teams were journalists from the sporting press. We received a call from the dealer to let us know they were organizing this rally, Sibiu Rally, and that they had an electrical car section for the first time this year.

### Was it your first rally?

Yes, he had never taken part in racing before and we were the only participants who did not know a thing about the competition.

### Did they tell you about the rules in good time?

There was a briefing before the competition, on the night before the first day, because the rally took two days. The most interesting aspect is that they had what they called



compliance stages, where pilots were supposed to follow strict rules related to the type of car they had, the running speed, the time etc. The winner is the team that breaks fewer rules. Each broken rule counts as penalty points. The team with less penalties is the final winner.

### **How long did the actual competition take?**

There were two days and five competition stages. Each stage was followed by a break that could last half an hour, sometimes two hours... The organizers decided it beforehand. Each stage consisted of compliance runs.

### **What did they consist in, these compliance runs?**

I could draw a parallel with valuation to make it easier to understand. We were not aware of the exact point where they would do a check to see if we followed the rules. The very idea was that you should stick to the rules, since you did not know when they were watching you. In valuation, we must also follow the rules/standards at all times, because a valuer never knows when is reviewed, who is the reviewer and he/she can be sanctioned.

Excepting that briefing at the beginning of the race, we were only told that the road is spread with transponders measuring speed and time when a car passes by. Competitors ignore the locations of these transponders so they must follow the rules throughout the race.

### **Were transponders mounted on cars, too?**

Yes, they were, on cars and on the road. Each car has a transponder conveying data for one car only, based



on its number in the race. It communicates with the other transponder located on the road. It is impossible to anticipate everything in traffic, when you drive next to the other cars. Maybe there is a horse-pulled cart in front of you or some sort of obstacle. It is similar to valuation where we do not know what data we receive from the client, or whether we receive any at all. A valuer must complete the work, in time and sticking to the rules.

## Were you familiar with the itinerary?

We were given something called a RoadBook. It is a sort of guidance telling you something like “turn right in 300 meters” and perhaps showing you a picture of a gas station or of some other landmark. One must understand the road so as in 300 meters to look at a gas station and taking the first turn to the right or the left. The RoadBook also indicates whether you would cross a junction or a bridge. It is not a classical map. Co-pilots have an important and difficult task. They must follow the itinerary and the time left to arrival. Right before the start, on the competition day, they told us where the compliance run was supposed to start in the stage and the time one must get there. If earlier, one could wait until the starting time. If later, one was penalized. Once the compliance run starts, it is not allowed to stop. Transponders are in constant monitoring mode.

## How long does a stage take?

On the first day, we had a 3-hour half stage, a break and then another 2-hour half stage. About 200 kilometers. The third stage took place in Sibiu. The last compliance run was also in Sibiu. It was also the most difficult, because traffic was congested and we had to keep the time. There is an average speed in compliance run. In this case, it was 32 km/hr., on a Friday evening, at 6 pm., when the traffic is very busy. It was impossible to tell whether we would wait for the traffic light to change one or twice before we could pass, meaning we lost on average speed. We completely ignored the location of the transponders. If we passed them one second too early or too late, we lost one point, that is how drastic it was. The itinerary was also rather difficult.

## Have you ever taken the wrong route?

It happened to us in the first compliance run of the first stage. We were a bit late, because we were confused that there was not always a go signal. When the referee motioned we could go, we were so happy that we were



starting on our first run that I forgot to check the route. We went ahead and after a while, Robert reminded me that I should check the RoadBook. We had already missed a left turn. We eventually found our way and we took a turn. It was the run where we lost most points. At the end of the first day, we went up from the 5th place to the 3rd. There were only five cars in the electrical section.

## What about the second day?

The second itinerary for electrical cars was shorter, for reasons of autonomy. The second day consisted in going up the road across Fagaras Mountains (Transfagarasan) up to Balea Lake. It is hard to estimate autonomy, but the battery in our car got charged on the descent. We left with one quarter and at the bottom, we already had half battery charged.

## Who was more under stress? The pilot or the co-pilot?

Both. They have different, complementary responsibilities. We



were a team. The 1st place and the 2nd, ours, went to couples. It may have counted that they make a team also in every day life.

### **What is the difference between you and the team on the 1st place?**

We were only 0.4 second apart. The difference for 200 kilometers was less than half a second. We practically had the lowest penalty points. There was a rule though, providing for the cancellation of the poorest run for each participant. The team on the first place benefited from it, they got a much worse run cancelled and they moved up in the ranking, whereas we moved one step down.

### **Will you participate next year again?**

Definitely!

### **Are there any other such rallies in Romania?**

As far as I know, it was the first and only rally for electrical cars.

### **What did you enjoy most in this experience?**

Besides the fact that we got completely disconnected from our daily life, what I liked most was that before we could see the scoreboard, it was impossible to tell whether we did good.

### **Were you motivated by uncertainty?**

Uncertainty was an interesting experience, really, because it kept the engine running. We could not afford a breathing space because we could not tell what lay ahead. It was possible to lose everything because of the penalty points in one run.

### **Was there something you did not like?**

I did not like it that the organizers expected me to get all the rules in only 10 minutes. They only explained things briefly, for those who were already familiar with such competitions. I will be more informed next time. The organizers may think of something surprising though. The thrill would be gone if next year will just be a repetition.

I did not like the fact that I could not take the time and admire the landscape. Just like valuation, sometimes, when we work on a tight deadline, we miss the beauty of the process. It was the same with the rally, there were times when we had to focus very hard, comply with the rules and the deadline. ■

# Future or future perfect?

**B**elieve me or not, the topic of this issue of “Valoarea” magazine is sending me back in time to grammar classes, when I was doing my best to get the meaning behind the different forms of the tenses – past, present and future.

Back to the present, I am taking the challenge to think of the future, the future of the valuation profession.

The comparison with the tenses is still in my mind and, trying to recall this chapter of grammar, I am starting to read. The past tense comes with names that sound rather funny [Romanian tenses, tr.n.]: *imperfect*, *simple perfect* and, the best of all, *more than perfect*. I cannot refrain from drawing a parallel with my past actions. The first tense seems more appropriate, because I could have definitely done things better. I doubt anyone can firmly state that the past was perfect or more than perfect. There is always room for more.

The present tense is firm, uncomplicated, it has one form. As if the present were telling: “*Mind the things that you do, you never meet me twice and you may regret it.*”

As for the future, my eye is caught by a nuance: *anterior future* or “future perfect”? How come? Is it a tense of the future or of the past? By putting the past and the future together, does it mean that the future is tied to the past, similar to Anatole France’s, “The past cannot disappear, because the future is born from it”? By reading the definition of this form of the future tense, things start to fall into place: future perfect shows a future action concluded before another future action. “We will have become true *professionals* when the profession enjoy the others’ *respect* and *trust*”, for example. It means that before we reach an important goal, we must complete a number of preliminary stages, fulfill all the conditions that enable us to successfully reach that goal, “pave the way”, so to speak. I have never believed



› LAURENȚIU STAN,  
Partner FairValue Consulting

› The present tense is firm, uncomplicated, it has one form. As if the present were telling: “Mind the things that you do, you never meet me twice and you may regret it.”

in immediate success or getting rich overnight, with no work at all. The road to the final goal is often made up of small but sure steps. “The future is the sum of the steps one takes, including the small, ignored and ridiculed ones”, according to Henri Coandă.

The first condition to reach an objective is to have a clear one. If we think of sailing, a seaman rarely sails out of harbor without a pre-established destination. Nobody likes just to drift away. To set a routine in advance is equally important. Routine is made up of a number of milestones, meaning that any goal should be split into smaller, intermediate objectives that lay the foundation for the bigger goal.

An objective should build on a purpose and its added value and the timeline should not be the first element to consider. The time horizon should be

set in line with the objective to which we commit and it should not represent a given time when we must reach this or that objective. I do not believe in “five-year plans” or in very long-term strategies for the reason that the future is unpredictable and it is likely to bring exceptional situations that will cancel some opportunities and open new ones. Moreover, objectives are carried through by people and people and their mentalities keep changing. A very long-term strategy is like a train with many carriages running on rails without switches. When a good opportunity shows on tracks, left or the right, the train cannot turn lest it could derail. On the other hand, if the strategy is conceived as a car fleet, i.e. highly flexible, it would be easier and less risky to change course.

As I already explained, the first condition to reach an objective is to have it. It is easy to think in terms of short, medium or long-term objectives inside a company. Inside a profession, however, it can be a complex exercise to establish a major goal.

In my point of view, the fundamental goal of the profession, the destination we should reach

in a relatively short time, is made up of three words of substance: **Recognition, Respect, Trust!**

In my opinion, we have already taken many of the intermediate steps, the direction is good and ANEVAR has fulfilled its role of the organizer and coordinator of the profession and representative of its interests nationally and internationally. However, the profession is not made up only of those who are briefly at the helm of the Association, but of all the authorized valuers, the *professionals* in assets valuation. Consequently, all of us should commit to working our way towards success and our milestones should be the fundamental ethical principles.

I am convinced that every authorized valuer has read and internalized the Professional Code of Ethics and is fully aware of the ethical principles guiding the profession. I will emphasize some of the elements in the fundamental principles and the way they could lead to reaching our fundamental goal.

INTEGRITY. The principle of integrity states that authorized valuers

must be *honest* and *sincere* in all professional and business relations. In addition to the relations with the clients and the users, I would also include behavior to our peers and partners from other professions. If we are not correct and sincere to colleagues I find it hard to believe we can be so to our clients. Sincerity can sometimes be disturbing and giving voice to opinion can be annoying, but it is more honest to speak one’s mind than keeping quiet and pretend to approve a behavior we resent. According to Brancuși, “Opinions are free, but not mandatory”. A *sincere* person is perceived as *trustworthy* and a profession made up of sincere people will be a *trustworthy profession*.

OBJECTIVITY, INDEPENDENCE, IMPARTIALITY. We all believe and firmly state we are *independent* and *impartial*, of course. There can however be circumstances that can influence our judgment in an imperceptible way. It may be an assignment for a former highschool mate we have not seen for 20 years, or for a company we used to work for a while ago and though our judgment seems untainted, subjectivism can be significant in such cases. Independence is a vital

TURN KNOWLEDGE  
INTO  
ACTION



element in shaping the public perception on our profession and we must prove at all times that our judgment is not corrupted by a potential conflict of interest.

PROFESSIONAL COMPETENCE. Allow me to quote several sentences from the Code of Ethics:

- › “maintaining professional knowledge and skills at the necessary level that ensures that the employer or the clients would benefit from competent professional services” – Before getting to the point where we maintain our knowledge, we must not ignore the initial training. Professional training lays the foundations of a valuer’s future abilities and makes one of the necessary steps that should never be neglected. Any building will collapse if the foundation is not strong enough. To maintain professional skills at a high level is equally important. Going back to the comparison with a building, this would be regular maintenance. Consequently, both sides will work hand in hand: on the one hand, the Association will offer a diversified continuous training program that is in line with the current needs and, on the other hand, valuers will attend the courses and, in addition to that, they will make suggestions of topical issues to be covered in the new training materials. Why not continue on this way and add the building a beautiful roof or an exquisite architectural detail, the MAA qualification standing for a high level of competence?
- › “Professional competence involves judgment”, i.e. the exercise of reason in the implementation of professional competences and skills. To master the theory is not enough to carry through the valuation process. A valuer uses judgment to select the best value estimation methods. Otherwise, a computer would be enough to do all the valuation work. But then, we would not deal with a profession, but a data center.
- › An authorized valuer will only deliver the valuation services for which he/she is competent and qualified” and “Authorized valuers will not present their own qualifications and experience in a distorted manner”. I personally perceive a difference between competence and qualification. DEX, the Romanian language thesaurus, defines competence as one’s capacity to provide a opinion on something, based on thorough knowledge on the issue under discussion, whereas qualification may only mean to attribute a capacity, such as the valuation capacity

or, even more specifically, real estate valuation capacity. In my point of view, to hold the RE qualification is not the same as holding the skills to value any type of real estate, from a flat to a hotel or another complex type of real estate. Nobody knows everything, definitely not, and we should all be aware of that. Moreover, instead of perfecting one field in which we could reach excellence, we waste time trying to be good in everything, which generally ends up in failure. To admit to one’s limits is not a disgrace, but a form of honesty. Declining an engagement on grounds that it exceeds our competence will not build us a negative image, but, on the contrary, it may earn us the client’s trust and respect. Moreover, supplying impeccable valuation services for specific assets will certainly make clients return.

It is not by chance that I highlighted some words. I firmly believe that honesty, sincerity and fairness to oneself and the others generate social trust and respect for us as people and the profession we represent. I am convinced that perseverance, keeping up the level of training and professionalism and the exercise of impartial judgment come with the recognition of the profession as the only profession that can perform professional asset valuation.

The past is important. It teaches us both to avoid the same mistake in the present and to cherish the good things that should inspire the future. Current actions and thinking are crucial in planning the next steps. The future has priority though. Let us think of the place we want to have in society and act towards that end, right now! ■

# “Valuation for Financial Reporting and Taxation Purposes” Conference – January 27, 2018 Cluj-Napoca

The conference titled “**Valuation for Financial Reporting and Taxation Purposes**” was held on January 27 in Grand Hotel Italia from Cluj-Napoca.

It addressed authorized valuers as the main audience, but also other stakeholders (local authorities, certified accountants, financial auditors) who play a role in financial reporting or in the implementation of the building taxation system.

**The speakers** in the conference were:

- Gheorghe MARINESCU, Head of Local Tax and Charges – Ministry of Public Finance

- Adrian VASCU, ANEVAR President in 2014-2015 | Senior Partner VERIDIO S.R.L.
- Sorin PETRE, ANEVAR First Vice-President | Partner PricewaterhouseCoopers
- Radu TIMBUȘ, Director EUROVAL S.R.L. | Member in ANEVAR’s Ethics and Discipline Committee
- Cecilia DAN, Senior Valuer CMF Consulting S.A.
- Paul BÂNDEA, Senior Manager VERIDIO S.R.L.
- Mircea Cornel MUREȘAN, Partner MDA GLOBAL | Board member in the Romanian Chamber of Financial Auditors (CAFR)

**The topics** addressed in the event were:

- Novelties and perspectives in valuation for taxation purposes
- Valuation review in the financial audit process
- The financial auditor & the valuer = a fair relation
- Let’s rediscover valuation for financial reporting
- Valuation for financial reporting vs. valuation for secure lending
- Real estate purchase price allocation
- How to avoid errors in valuation for taxation purposes



Adrian VASCU, ANEVAR President in 2014-2015 - Senior Partner VERIDIO S.R.L.



Dana Ababei, ANEVAR President



Cecilia DAN, Senior Valuer CMF Consulting S.A.





Laura VORNICEANU, Vice-President CAFR



Gheorghe MARINESCU, Head of Local Tax and Charges  
- Ministry of Public Finance



Mircea Cornel MUREȘAN, Partner MDA GLOBAL, CAFR Board member



Paul BÂNDEA, Senior Manager VERIDIO S.R.L.



Radu TIMBUȘ, Director EUROEVAL S.R.L.  
- Chairman of ANEVAR's Ethics and Discipline Committee



Mircea Iosif RUS, Vice-President CECCAR



Sorin Petre, ANEVAR First Vice-President - Partner PricewaterhouseCoopers

# “Valuation for Financial Reporting and Taxation Purposes” Conference – February 23, 2018, Bucharest

ANEVAR organized the conference titled “Valuation for Financial Reporting and Taxation Purposes” also in Bucharest, on February 23, thus reiterating the topics presented in Cluj-Napoca in January. The conference enjoyed success in both its editions this year.

**The speakers** in the conference were:

- **Adrian VASCU**, ANEVAR President in 2014- 2015 | Senior Partner VERIDIO S.R.L.
- **Sorin PETRE**, ANEVAR First Vice-President | Partner

- PricewaterhouseCoopers
- **Radu TIMBUȘ**, Director EUROVAL S.R.L. | Member in ANEVAR’s Ethics and Discipline Committee
  - **Cecilia DAN**, Senior Valuer CMF Consulting S.A.
  - **Paul BÂNDEA**, Senior Manager VERIDIO S.R.L.
  - **Mircea Cornel MUREȘAN**, Partner MDA GLOBAL | Board member in the Romanian Chamber of Financial Auditors (CAFR)

**The topics** addressed in the event were:

- Let’s rediscover valuation for financial reporting
- Valuation review in the financial audit process
- How to avoid errors in valuation for taxation purposes
- Valuation for financial reporting vs. valuation to secure a loan
- Real estate purchase price allocation
- The financial auditor & the valuer = a fair relations



Adrian VASCU, ANEVAR President in 2014-2015 - Senior Partner VERIDIO S.R.L.



Cecilia DAN, Senior Valuer CMF Consulting S.A.



Ciprian Teodor Mihăilescu, CAFR President





Paul BÂNDEA, Senior Manager VERIDIO S.R.L.



CAFRR President Ciprian Teodor Mihăilescu and ANEVAR President Dana Ababei



Mircea Cornel MUREȘAN,  
Partner MDA GLOBAL – CAFRR Board member



Gheorghe Bădescu, ANEVAR Founding President



Radu TIMBUȘ, Director EUROEVAL S.R.L.  
- Chairman of ANEVAR's Ethics and Discipline Committee



Sorin Petre, ANEVAR First Vice-President – Partner PricewaterhouseCoopers

# “The Research of the Real Estate Market, Real Estate Valuation and Financial Stability” Conference

Bucharest, 2018, March 23

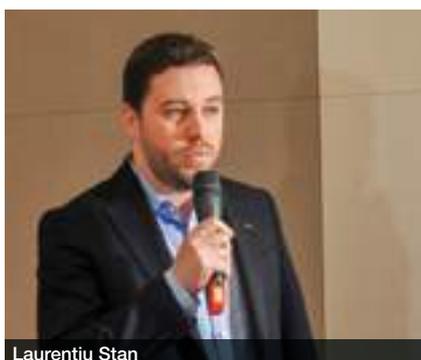
In partnership with Analize Imobiliare, ANEVAR organized in Stejarii Country Club a conference titled “The Research of the Real Estate Market, Real Estate Valuation and Financial Stability”. The participants in the event were economic analysts, statisticians, real estate consultants, developers, financial services professionals etc. The conference introduced the experts to topical issues in the research of the real estate market and real estate valuation. The event went live on ANEVAR’s official Facebook page.

The speakers in the opening part were Dana Ababei (ANEVAR President), Florin Dănescu (Executive President ARB), Florin Dragu (Head of Monitoring and Systemic Risk BNR), Laurențiu

Stan (ANEVAR Vice-President in 2016-2017 and Partner FairValue Consulting) and Andrei Rădulescu (Director, Macroeconomic Research, Banca Transilvania). Moderator: Adrian Erimescu (CEO Imobiliare.ro).

The panelists in the conference were:

Daniel Manațe (ANEVAR President in 2016-2017), Ion Anghel (PhD, Professor in the Academy of Economic Studies and ANEVAR President in 2006-2007), Mihai Pătrulescu (Senior Associate Colliers International), Viorel Mohorea (Project Manager New Homes Division Coldwell-Banker) and Dorel Niță (coordinator, Analize Imobiliare). Moderator: Andrei Panait (journalist).



# ANEVAR National Conference

## Bucharest- April 20, 2018

The works of the **National Conference** of the National Association of Authorized Romanian Valuers took place on **April 20, 2018** in **Ramada Park Hotel – Terra Room, in Bucharest.**

The agenda consisted of the following items:

- Presentation and approval of ANEVAR's activity report for 2016-2017 and of the activity plan for 2018-2019.
- Presentation and approval of the financial report for 2017;
- Presentation of the financial audit report for 2017;
- The Activity Report of the Ethics and Discipline Committee for 2017;
- Presentation and approval of the income and expenditure budget for 2018;
- Miscellanea.



The 2018-2019 ANEVAR Board



Dana Ababei, ANEVAR President



Daniel Manate, ANEVAR President in 2016-2017



Adrian Vasca, UPLR Chairman, ANEVAR President in 2008-2009 and 2014-2015



Monica Julean, representative of the Ministry of Public Finance



Mihai Bojincă, ANEVAR President in 2004-2005



Mircea Corneliu Muresan, CAFR



Mihai Sirb, 2018-2019 Treasurer



Radu Timbuș, President of E&D Committee



Vasile Meişa, Chairman CET Romania



Yvonne Vitikan, DVM Inspector



Adrian Popa-Bochiș, BM, 2016-2017 Treasurer



Florin Dragomir, UNPIR Vice-Chairman



Filip Stoica, ANEVAR President in 2010-2011

# “Valuation for the Capital Market in Romania” Conference

Academy of Economic Studies of Bucharest – May 16, 2018

The 16th edition of “Valuation for the Capital Market in Romania”, jointly organized with the Academy of Economic Studies (ASE) took place in Aula Magna of the Academy on Wednesday, May 16, starting 2 pm.

The speakers in the event were:

- Lucian ANGHEL – President of Bucharest Stock Exchange;
- Gheorghe BĂDESCU - ANEVAR President in 1992-2001 | FRICS, REV | Founder of CMF Consulting S.A.;
- Ion ANGHEL - ANEVAR President in 2006-2007 | Professor PhD, ASE Bucharest, Director of the Economic-financial Research and Valuation Department;
- Daniel MANAȚE - ANEVAR President in 2016-2017;
- Sorin PETRE - ANEVAR First Vice-President | Partner PricewaterhouseCoopers;
- Ileana GUȚU - Senior Manager Valuation & Economics PricewaterhouseCoopers;
- Andrei RĂDULESCU - Macroeconomic Research Director, Banca Transilvania



Daniel MANAȚE - ANEVAR President in 2016-2017





Gheorghe BĂDESCU - ANEVAR President in 1992-2001 FRICS, REV, Founder of CMF Consulting S.A.



Andrei RĂDULESCU - Macroeconomic Research Director Banca Transilvania



Ileana GUȚU - Senior Manager PWC



Ion ANGHEL - ANEVAR President in 2006-2007, Professor PhD, ASE Bucharest



Sorin PETRE - ANEVAR First Vice-President, Partner PWC



Lucian ANGHEL - President of Bucharest Stock Exchange

# “Complex Property Valuation” Conference

## Mamaia, June 23, 2018

- ANEVAR organized the **conference titled “Complex Property Valuation”** in Mamaia, in Poseidon Room of Zenith Conference & Spa Hotel, on June 23, 2018.

### The speakers in the conference were:

- **Sorin PETRE**, ANEVAR First Vice-President | Partner PricewaterhouseCoopers
- **Adrian VASCU**, ANEVAR President in 2008-2009 and 2014-2015 | Senior Partner VERIDIO S.R.L.
- **Mihail BOJINCĂ**, ANEVAR President in 2004-2005 | Member in ANEVAR Ethics & Discipline Committee
- **Adrian NICOLESCU**, authorized valuer | Member in ANEVAR Professional Qualification & Certification Committee
- **Laurențiu STAN**, CEO FAIRVALUE CONSULTING S.R.L. | Member in ANEVAR Professional Qualification & Certification Committee
- **Bogdan RUSE**, valuer Fairvalue Consulting
- **Dan IVĂNESCU**, Expert Valuer PricewaterhouseCoopers Management Consultants S.R.L. | Member in ANEVAR Ethics & Discipline Committee

- **Adriana CHIRILĂ**, Advisor, Vice-President CEC BANK

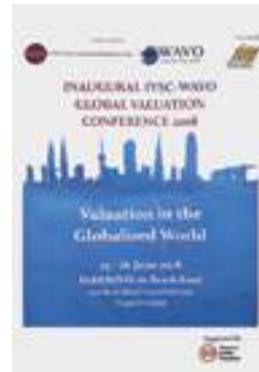
### The presentations in the event tackled the following topics:

- A Complex Property?
- Valuation of "Paranormal" Collaterals or Collaterals that Seem Abnormal in the Insolvency Procedure
- Building Ratio – Urban Development and Legal Constraints. Case Study
- What Can Become "Complex" in RE Valuation? Is it the Property or... Maybe Value? Case Studies
- Tourist Harbor Valuation
- RES Power Plant Valuation. Case Studies
- Small Town Property Valuation



## “Valuation in the Globalised World” Conference – Singapore, IVSC and WAVO

On June 25-26, in Singapore, there took place the conference “Valuation in the Globalised World”, organized by IVSC (The International Valuation Standards Council) and WAVO (The World Association of Valuation Organisations). ANEVAR President Dana Ababei was a guest speaker in the event. Her presentation dwelt on “Lessons Learnt by ANEVAR in the Adoption of IVS”.



## “The Value of Architecture – Architecture of Value” Conference June 5, 2018

On June 5, there took place in Arcub the conference titled “The Value of Architecture – Architecture of Value”. It was the second edition of the event organized by Eruditio. ANEVAR was represented by First Vice-President Sorin Petre, a guest speaker in the conference. He addressed “The Importance of Adequately Selecting the Valuer”.



## “Bursa Construcțiilor” Gala - June 28, 2018

Bursa Construcțiilor Gala took place on June 28 on the premises of the Romanian Chamber of Commerce and Industry. ANEVAR received the Excellence Award for its entire activity and its contribution to the development of the valuation profession in Romania. The award was received by Vice-President Delia Bratu on behalf of ANEVAR.



# The 9<sup>th</sup> WAVO Congress (World Association of Valuation Organisations) “Ethics in the Valuation Profession“

The Intercontinental Hotel, Bucharest – September 6<sup>th</sup>, 2018



Dana Ababei – ANEVAR President



Second panel moderator – Adrian Crivi – ANEVAR President in 2002-2003



Paul Sanderson – President of the International Property Tax Institute (IPTI)



Scott Robinson – MAI, SRA, AI-GRS, AI-RRS, 2016 Appraisal Institute President



Blue Hancock – Valuation and Consulting Managing Director, Colliers New Zealand



Dr. Lim Lan Yuan – WAVO Executive President, President of the Singapore Institute of Surveyors and Valuers



Adrian Crivii, ANEVAR President in 2002-2003



Alexander Aronsohn – FRICS, Technical Director IVSC



Edward Au – FHKIS, MCIREEA, Future 2018-2020 WAVO President



James L. Murrett – 2018 Appraisal Institute President



# The International IVSC - ANEVAR Valuation Conference

## “Business Valuation in the Context of Globalization”

### September 7, 2018



IVSC (The International Valuation Standards Council) and ANEVAR co-hosted a global valuation event on September 7, 2018 in The Intercontinental Hotel in Bucharest.

“Business valuation in the Context of Globalization” was organized within the frame of the cooperation agreement signed by the two organizations. It was concluded with the purpose to develop the profession, improve professionalism and promoting international business valuation standards.

The guest speakers addressed the latest trends in valuation:

**First Session – Moderated by Dana Ababei, ANEVAR President**

- **Keynote speaker: Nicholas Talbot - IVSC CEO – Business Valuation – the**

global need for standards and professionalism

- **Dana Ababei – Business Valuation in Romania**
- **Mauro Bini – The Use of Multiples**
- **Diana Nikolaeva – Early Stage Company Valuation**



Dana Ababei – ANEVAR President

- **Anton Lezhja – Valuers of All Asset Categories, Unite!**

**Second Session – Moderated by Ion Anghel - ANEVAR President in 2006-2007**

- **Andrew Strickland – Introduction to the Use of Black Scholes Model for Valuing Certain Shares in Private Companies**
- **Jeffrey S. Tarbell – Adjusting Market Price Multiples for Incremental Risks**
- **William Hanlin – The urge to Change**
- **Don Gilbert – Evaluating Risk in Retail Property Sector: from One Retail Lease to the Industry as a Whole Including Gearing**
- **Andrey Artemenkov – Transactional Asset Pricing Approach (TAPA) and Its Application in Professional Valuation and Fair Value Theories**

**Third Session – Moderated by David Foster - CEO Business Valuation Resources**

Panel on data and research: How to support valuation conclusions

- **Jeffrey S. Tarbell**
- **Sorin Petre**
- **Andrew Strickland**
- **Diana Nikolaeva**
- **Daniel Manațe**



Nicholas Talbot – CEO International Valuation Standards Council (IVSC)



Don Gilbers – Managing Director Australian Lease & Property Consultants PTY LTD



Jeffrey S. Tarbell – ASA, CFA, Financial Director Advisory Services – Houlihan Lokey



Gheorghe Bădescu – ANEVAR Founding President and William Hanlin – IACVS President



Sorin Petre – ANEVAR First Vice-President



Anton Lezhja – ASA, MRICS, CF, Financial Advisory Services Advisor, Deloitte Central Europe, iiBV Board Member



Andrey I. Artemenkov – MRICS, Ph.D., Department of Economic Measurements, The State University of Management (GYU) of Israel



David Foster  
– CEO Business Valuation Resources



Mauro Bini – Professor, Bocconi University of Milan, OIV (Organismo Italiano di Valutazione) President of the Board



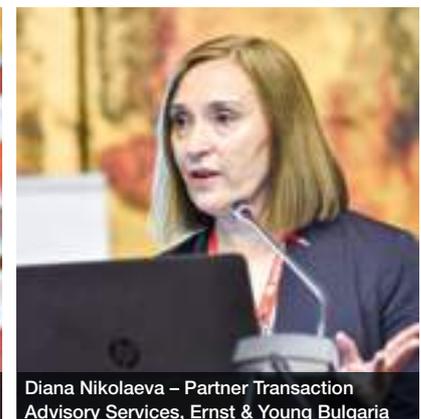
Daniel Manate – ANEVAR President in 2016-2017



Andrew Strickland  
– President of iiBV Education Committee



William A. Hanlin, Jr. – CPA, President of ICVS, IACVS Director



Diana Nikolaeva – Partner Transaction Advisory Services, Ernst & Young Bulgaria

# 2018 ANEVAR Awards Gala

On the evening of September 7, ANEVAR organized the third edition of ANEVAR Awards Gala. The awards went to personalities in the Association, one international organization as well as supporters of the valuation profession.

This year's gala awards were:

- "Alexandru Gheorghiu" Award – Ion Anghel, ANEVAR President in 2006-2007
- Professional Achievement Award - Radu Anton Dimitriu, MAA, REV, EI,EPI, VE
- The Award for Remarkable Cooperation with ANEVAR – IVSC (The International Valuation Standards Council)
- The Award for Support of the Valuation Profession - Filip Stoica, ANEVAR President in 2010-2011
- The Award for the Best ANEVAR Speaker in 2017 – Mihail Bojincă, ANEVAR President in 2004-2005
- The Award for the Best Article published in "Valoarea" magazine in 2017 – Daniel Manațe, ANEVAR President in 2016-2017
- The Award of the President of the Association – collectively awarded to former ANEVAR Presidents, 1992 through 2017



Dana Ababei, ANEVAR President and Daniel Manațe, ANEVAR President in 2016-2017



Dana Ababei, ANEVAR President and Ion Anghel, ANEVAR President in 2006-2007





Dana Ababei, ANEVAR President and Scott Robinson, 2016 AI President – Honorary ANEVAR Member



Dana Ababei, ANEVAR President and Sorin Petre, ANEVAR First Vice-President, taking the award on behalf of Radu Dimitriu



Dana Ababei, ANEVAR President and Filip Stoica, ANEVAR President in 2010-2011



Dana Ababei, ANEVAR President and Mihail Bojincă, ANEVAR President in 2004-2005



Dana Ababei, ANEVAR President and Nick Talbot, CEO IVSC

# “Valuation of Cultural and Historical Heritage Assets” Conference

Bacău, September 29

At the end of September, the city of Bacău hosted the 8<sup>th</sup> edition of “Valuation of Cultural and Historical Heritage Assets”.

## The speakers in the event were:

- Adrian VASCU - ANEVAR President in 2014-2015 | Senior Partner VERIDIO S.R.L.
- Pavel ȘUȘARĂ – Art historian and critic | ANEVAR valuer and President of AEEAR (The Association of Art Experts and Valuers of Romania)
- Dalina BĂDESCU – Valuer, ANEVAR and AEEAR member

- Dan IVĂNESCU – Expert valuer, PricewaterhouseCoopers
- Dan KISILEWICZ – Senior advisor, the Ministry of Culture and National Identity
- Bogdan RUSE – Valuer, Fairvalue Consulting
- Cristian GAVRILĂ – Founder of SINEVA EVALUĂRI ARTĂ SRL
- Andrei BOTIȘ - MRICS, Partner NAI Romania

## The topics addressed in the event were:

- Cultural Personal Property Valuation in the Context of Financial Reporting
- Value Paradoxes. Constantin Brancusi and Marcel Duchamp
- Value Limitations. Antiques, Stolen Artifacts, Treasury
- Inspection Fee Estimation in Historical Monuments
- Heraldry and Numismatics in Romania
- Diamond Valuation
- Purchase of a Historical Monument from the Valuation Perspective



Dana Ababei, ANEVAR President



Adrian Vascu, ANEVAR President in 2014-2015, Senior Partner VERIDIO



Pavel Șușară, Art historian and critic, ANEVAR valuer and President of AEEAR



Cristian GAVRILĂ – Founder of SINEVA EVALUĂRI ARTĂ SRL



Dalina BĂDESCU – Valuer, ANEVAR and AEEAR member



Dan IVĂNESCU – Expert valuer, PricewaterhouseCoopers



Dan KISILEWICZ – Senior advisor, the Ministry of Culture and National Identity



Andrei BOTIȘ - MRICS, Partner NAI Romania



Bogdan RUSE – Valuer, Fairvalue Consulting

# Data Related to Real Estate and Business Valuation

**T**he current issue of “Value, Wherever It Is” magazine presents the set of Market Data useful both to valuers and users of valuation reports. The presentation consists of two parts. The first part provides data related to real estate valuation, whereas the second part offers data related to business valuation.

We will introduce the data sources for each particular case, so as to valuers using the data will be able to specifically cite the data source in their valuation reports. It is noteworthy that accountability for these data rests only with the providers of such data, which are the only sources to be quoted in valuation reports. In other words, “Value, Wherever It Is” does not represent the source of information to be cited, but the data provider.

We have enclosed below the assumptions considered in the presentation of data regarding office buildings, shopping centers and industrial buildings. The data from the tables must be interpreted in strict correlation with these assumptions.

Regarding the real estate Market Data, for those cities that are not mentioned in the tables and in case the real estate transactions volume is likely to be smaller, valuers shall consider local data and correlate them with the data presented in the tables below. The capitalization rate levels, for instance, cannot be lower than the lowest rates included in the tables and it is rather likely to tend towards the upper rate levels.

**The tables present the data providers in alphabetical order.**

## Chapter 1: Assumptions and Definitions

### 1. OFFICE BUILDINGS

- › Colliers: For the Bucharest market the data are based on office buildings ranking Class A in terms of the building quality, irrespective of the location, and which exceed 3.000 sqm of leasable area.
- › DTZ: For the office buildings market, both in Bucharest and in the territory, the data regard the best technical specifications buildings, for which the highest obtainable rent was reported.
- › The Advisers/Knight Frank: For the Bucharest market, the data are based on office buildings ranking Class A in terms of the building quality, irrespective of the location and which exceed 2.000 sqm of leasable area.
- › JLL: For the office buildings market, the highest obtainable rent is presented for the best building in that location type and in market conditions.
- › CBRE: Presents the “prime rent”, i.e. the market rent obtainable for a standard size unit (in line with the demand existing on each specific market – 1.000 sqm for offices) of premium quality, in the best location on the market, on the reporting date. The “prime rent” should reflect the level at which the relevant transactions are completed in the market at a given moment, but should not be identical with any of the transactions, especially when there is a limited number of transactions or when there are only a few offers.
- › For primary cities, the data are based on modern office buildings in each town, irrespective of the location. Whereas towns like Timișoara, Cluj-Napoca, Iași and Brașov also offer modern office buildings, Constanța, on the other hand, only offers poor quality office buildings.

- › For secondary cities, the data are based on modern office buildings from every town, irrespective of their location.
- › Colliers, The Advisers/Knight Frank, JLL, DTZ: The reported levels of rent represent the rent payable accordingly to a triple-net lease, where all expenses are incurred on the tenant (taxes, utilities and repairs or common areas expenses and any other expenses required to maintain and operate the rented property).
- › Such expenses can be paid by the lessor, but they are incurred back on the tenants through the “service charge” (including the categories listed above, among others). Note: the capital expenses shall rest with the lessor.
- › Colliers, The Advisers/Knight Frank, JLL, DTZ, Darian: The reported levels of rent represent the contract rent, therefore they do not include any incentives granted by the lessor (number of months exempt from rent payment, the lessor’s contribution to property improvement).
- › CBRE: The reported rent represent the gross rent, subject to further analysis in order to see how much is recovered through the “service charge”

and what is the share of the incentives (number of months with rent payment exemptions, the lessor’s contribution to property improvement).

- › For the Bucharest office market , the rent intervals were calculated as shown below:
- › The reported capitalization rate refers to primary products, i.e. the best yield (the lowest rate) estimated to be obtained for premium office buildings in the best market location, rented at market rent to prime-class tenants.
- › The reported capitalization rates do not include any transaction cost or transaction tax, but they reflect the reported price.
- › The estimated capitalization rates are based on both the transactions completed during the last few years and on advanced negotiations.
- › The capitalization rate is estimated as the ratio between net operating income (potential gross income less operational expenses and vacancy loss) and transaction price/negotiated price.
- › For primary cities, only modern office buildings are attractive for investors. The capitalization rate for such products was estimated according to the expectations of

investors interested in acquiring such properties in the analyzed cities, as well as according to the transactions recorded in the last few years.

- › For secondary cities, the number of transparent transactions recorded in the last few years was rather low, therefore it is difficult to estimate any capitalization rate.

## 2. SHOPPING CENTERS

- › In order to estimate the rent levels and the capitalization rates, the only shopping centers considered were those that display at least 5.000 sqm of shopping area as well as an anchor (a supermarket or hypermarket).
- › Colliers: Both for Bucharest and the main cities in the country, shopping centers were split into two categories (primary and secondary products), depending on their performance.
- › JLL: Both for Bucharest and the main cities in the country, only primary products were considered.
- › DTZ: For Bucharest and the main cities in the country, only modern products were considered (at least 5.000 sqm of leasable area, with the area of the supermarket/hypermarket not exceeding the shopping mall area).

- › The levels of the estimated rent represent rent payable accordingly to triple-net lease, i.e. all the expenses are incurred on the tenant (taxes, utilities and repairs or common areas

Location	central	Victoriei Square
	semi-central	Floreasca, Barbu Văcărescu, Presei Libere Square, Politehnica, Lujerului
	suburbs	Băneasa, Păcii, Pipera

- expenses and any other expenses required to maintain and operate the rented property). Such expenses can be paid by the lessor, but they are incurred back on the tenants through the “service charge” (including the categories listed above, among others). Note: the capital expenses shall rest with the lessor.
  - › The reported levels of the rent represent the contract rent therefore they do not include any incentives granted by the lessor (number of months with rent payment exemptions, the lessor’s contribution to property improvements).
  - › The estimated rent levels for shopping centers represent the average rent paid for an area of 100 sqm on the ground floor, occupied by fashion stores. Such values are not satisfactory/sufficient to estimate the average rent paid in a shopping center.
  - › It is also important to consider that the rent levels varies greatly from one city to another depending on: the actual purchasing power, competition and the commercial venue for each specific shopping center.
  - › The reported capitalization rates refer to primary products i.e. the best yield (the lowest rate) estimated to be obtained for a premium commercial property, in a premium market location, rented out at the market rent to prime-class tenants.
  - › The reported capitalization rates do not include any transaction cost or transaction tax, but they reflect the reported price.
  - › The capitalization rate is estimated as the ratio between net operating income (potential gross income less operational expenses and vacancy loss) and transaction price/negotiated price.
  - › For Bucharest, given that there have been no classical investment transactions with primary products, capitalization rates were estimated based on the expectations of both sellers and investors that would be interested in buying such a product, as well as on the transactions form comparable cities within the region (Central and Eastern Europe).
  - › Both for primary and secondary cities, the capitalization rates were estimated starting from the transactions completed in the last few years as well as considering the expectations of the sellers and of the potential buyers.
- ### 3. INDUSTRIAL BUILDINGS
- › Only good quality logistics spaces located in Bucharest and the listed cities were considered.
  - › The levels of the estimated rent represent rent payable accordingly to triple-net lease, i.e. all the expenses are incurred on the tenant (taxes, utilities and repairs or common areas expenses and any other expenses required to maintain and operate the rented property). Such expenses can be paid by the lessor, but they are incurred back on the tenants through the “service charge” (including the categories listed above, among others). Note: the capital expenses shall rest with the lessor.
  - › The reported levels of the rent represent the contract rent, therefore they do not include any incentives granted by the lessor (number of months with rent payment exemptions, the lessor’s contribution to property improvements).
  - › The reported capitalization rates refer to primary products, i.e. the best yield (the lowest rate) estimated to be obtained for a premium industrial property, in a premium market location, rented at market rent to prime-class tenants.
  - › The reported capitalization rates do not include any transaction cost or transaction, but they reflect the reported price.
  - › Both for Bucharest and the cities in the country, capitalization rates were estimated based on the expectations of both sellers and investors that would be interested in buying such a product, as well as on the transactions form comparable cities within the region (Central and Eastern Europe).
  - › The capitalization rate is estimated as the ratio between net operating income (potential gross income less operational expenses and vacancy loss) and transaction price/negotiated price.
  - › Colliers: For the cities of Constanța, Iași and Cluj-Napoca, quality industrial spaces are limited. The rent levels specified for these cities apply to built-to-suit solutions.
  - › The next tables illustrate the data for Q3 2018.

**> CBRE Romania**

Market segment	Bucharest	Primary cities (Iași, Cluj Napoca, Brașov, Timișoara, Constanța)	Secondary cities (Sibiu, Craiova, Târgu Mureș, Ploiești, Pitești, Arad)
<b>Office buildings</b>			
Contract rent for Class A buildings (Eur/sqm/mo.)	prime rent: 18.5 central: 14.5 - 17 semi-central: 13.5 - 16.5 suburbs: 9 - 12	11 - 14	8 - 12
Average vacancy rate (%)	8%	5 - 10%	n/a
Capitalization rate (%) *	7.25%	8% - 9%	9 - 10%
<b>Shopping centers</b>			
Rent asked for an area of 100 sqm on the ground floor. fashion store (Eur/sqm/mo.)	65	35 - 40	20 - 25
Capitalization rate (%) *	6.50%	7.5% - 8%	8% - 9%
<b>Industrial buildings</b>			
Average Class A rent (Eur/sqm/mo.)	4 -4.25 area < 10.000 mp 3,5 - 4 area > 10.000 mp	3,3 - 4 depending on the area	2.50 - 3.50 depending on the area
Average vacancy rate (%)	2,0%	2 - 5%	n/a
Capitalization rate (%) *	8.00%	8.00% - 9.00%	9.00% - 10.00%
* Capitalisation rate for prime property			

> Colliers International

Market segment	Indicators	Bucharest		Primary cities (Iasi, Cluj Napoca, Braşov, Timişoara, Constanţa)		Secondary cities (Sibiu, Craiova, Târgu Mureş, Ploieşti, Piteşti, Arad)	
Office buildings	Contract rent for Class A buildings (Eur/sqm/mo.)	central	16 - 18	12 - 15		8 - 12	
		semi-central	14 - 16				
		suburbs	8 - 13				
	Average vacancy rate (%)	market average	10.00%	Timişoara, Iaşi	n.a.	Sibiu & Târgu Mureş	n.a.
				Cluj Napoca			
				Braşov			
Capitalization rate (%)	primary products	7.15%-7.75%	primary products in Iasi, Cluj Napoca, Timişoara	8% - 9%	very limited interest from investors and low transaction transparency	n.a.	
	secondary products	8.0% - 9.5%					
Shopping centers	Contract rent for 100 sqm on ground floor. fashion stores (Eur/sqm/mo.)	primary products	55 - 70	primary products	30 - 40	average for centers in the country	15 - 30
		secondary products	40 - 50	secondary products	15 - 20		
	Capitalization rate (%)	primary products	6.5 - 7.25%	primary products	7.5% - 8.0%	average for centers in the country	8.5-9.5%
		secondary products	8.0-9.5%				
Industrial spaces	Average contract rent for Class A buildings (Eur/sqm/mo.)	< 3.000 sqm	4.15-4.25	Braşov, Timişoara, Ploieşti, Arad, Piteşti	3.5 - 4.0	Sibiu, Craiova, Târgu Mureş	3.75 - 4.00
		> 3.000 sqm	4.15-4.25	Constanţa, Iaşi, Cluj Napoca	3.5 - 4.0		
	Average vacancy rate (%)	market average	5.0%	Braşov	8%	Sibiu, Craiova, Târgu Mureş	n.a.
				Cluj Napoca, Timişoara	8%		
				Iaşi, Constanţa	n.a.		
Capitalization rate (%)	market average	8.25%-8.75%	primary products	8.75-9.00-%	Sibiu, Craiova, Târgu Mureş	9.5-10.5%	

**> Darian DRS**

Market segment	Bucharest	Primary cities (Iași, Cluj Napoca, Brașov, Timișoara, Constanța)	Secondary cities (Sibiu, Craiova, Târgu Mureș, Ploiești, Pitești, Arad)
<b>Spații de birouri</b>			
Contract rent for Class A buildings (Eur/sqm/mo.)	very central: 15 - 19 central: 14 - 17 semi-central: 12 - 15	Iași: 9 - 13 Cluj Napoca: 14 - 16 Brașov: 10 - 15 Timișoara: 12.5 - 15 Constanța: 8 - 13	Sibiu: 7 - 12 Craiova: 8 - 11 Târgu Mureș: 7 - 10 Ploiești: 8 - 12 Pitești: 8 - 12 Arad: 8 - 11
Average vacancy rate (%)	10%	Iași: 8% Cluj Napoca: 5% Brașov: 8% Timișoara: 5% Constanța: 12%	Sibiu: 10% Craiova: 10% Târgu Mureș: 10% Ploiești: 15% Pitești: 10% Arad: 10%
Capitalization rate (%)	clasa A: 7.00 - 8.00%	clasa A: 9.00 - 9.50%	clasa A: 9 - 10.50%
	clasa B: 8.00 - 9.00%	clasa B: 9.50 - 10.50%	clasa B: 9.5 - 11.00%
<b>Shopping centers</b>			
Rent asked for an area of 100 sqm on the ground floor. fashion store (Eur/sqm/mo.)	very central: 30 - 60 central: 25 - 40 median and peripheral area: 15 - 25	Iași: 10 - 20 Cluj Napoca: 15 - 30 Brașov: 12 - 20 Timișoara: 15 - 25 Constanța: 12 - 20	Sibiu: 12 - 25 Craiova: 15 - 25 Târgu Mureș: 7 - 14 Ploiești: 10 - 22 Pitești: 10 - 22 Arad: 8 - 15
Capitalization rate (%)	Main trade arteries 7.25 - 8.50%	Main trade arteries 8.00 - 9.00%	Main trade arteries 8.50 - 9.50%
	Secondary commercial arteries: 8.50 - 9.50%	Secondary commercial arteries: 9.00 - 10.00%	Secondary commercial arteries: 9.00 - 10.50%
<b>Industrial buildings</b>			
Average Class A rent (Eur/sqm/mo.)	3 - 4.5	Iași: 3 - 4.5 Cluj Napoca: 3 - 4.5 Brașov: 3 - 4.5 Timișoara: 3 - 4.5 Constanța: 2.5 - 4.5	Sibiu: 2.5 - 3.5 Craiova: 3 - 4 Târgu Mureș: 2.5 - 3.5 Ploiești: 3 - 4 Pitești: 3 - 4 Arad: 2.5 - 3.5
Average vacancy rate (%)	10%	Iași: 10 - 15% Cluj Napoca: 10% Brașov: 10 - 15% Timișoara: 10 - 15% Constanța: 12 - 17%	Sibiu: 10 - 15% Craiova: 10 - 15% Târgu Mureș: 12 - 15% Ploiești: 10% Pitești: 15% Arad: 10 - 15%
Capitalization rate (%)	8.50 - 9.50%	9.5% - 10.50%	10% - 11%
Note: The capitalization rates considered in this analysis are estimations at the level of the effective net income			

› Cushman & Wakefield Echinox

Market segment	Bucharest	Primary cities (Iași, Cluj Napoca, Brașov, Timișoara, Constanța)	Secondary cities (Sibiu, Craiova, Târgu Mureș, Ploiești, Pitești, Arad)
Office buildings			
Contract rent for Class A buildings (Eur/sqm/mo.)	very central: 17 - 18.5 semi-central: 12 - 15 suburbs: 8 - 11	11 - 15	9 - 11
Average vacancy rate (%)	9.1%	Iași: 5% Cluj Napoca: 8% Brașov: 6% Timișoara: 10%	n/a
Capitalization rate (%)	7.25%	8.25 - 8.75%	9.25%
Shopping centers			
Rent asked for an area of 100 sqm on the ground floor. fashion store (Eur/sqm/mo.)	70 - 80	35 - 40	25 - 30
Capitalization rate (%)	6.75%	7.75%	8.00%
Industrial buildings			
Average Class A rent (Eur/sqm/mo.)	4.25 area < 5,000 mp; 3.85 - 4.25 area > 5,000 mp	3.65 - 4 depending on the area	3.4 - 3.95 depending on the area
Average vacancy rate (%)	3%	4%	n/a
Capitalization rate (%)	8.75%	8.75 - 9%	9.5 - 9.75%

**› Jones Lang LaSalle**

Market segment	Bucharest	Primary cities (Iași, Cluj, Timișoara, Brașov )	Secondary cities
<b>Spații de birouri</b>			
Contract rent for Class A building (Euro/sqm/mo.)	central: 18.5 semi-central: 14 – 16 suburbs: 10 - 12	10 – 14	9 - 11
Average vacancy rate (%)	8.3%	Cluj: 5 – 6% Iași: 5 – 6% Brașov: 6 – 7% Timișoara: 5 – 6% Constanța: n/a	n/a
Capitalization rate (%)	7.25%	8.00 – 9.25%	9.5 – 10.5%
<b>Shopping centers</b>			
Rent asked for an area of 100 sqm on the ground floor. fashion store (Euro/sqm/mo.)	65 - 75	30- 35	20 -25
Capitalization rate (%)	7.00%	7.75 – 8.50%	8.50 – 9.50%
<b>Industrial buildings</b>			
Rent asked for an area of 100 sqm on the ground floor. fashion store (Euro/sqm/mo.)	3.5 – 4.1 (area < 10,000) 3 - 3.5 (area > 10,000)	2.8 – 4.1 depending on the area	2.5 – 3.2 depending on the area
Capitalization rate (%)	5%	10%	n/a
Rata de capitalizare	8.5%	9.00 – 10.0%	10.0 – 11.0%

**> Knight Frank**

Market segment	Bucharest	Primary cities (Iași, Cluj Napoca, Brașov, Timișoara, Constanța)	Secondary cities (Sibiu, Craiova, Târgu Mureș, Ploiești, Pitești, Arad)
<b>Office buildings</b>			
Contract rent for Class A building (Euro/sqm/mo.)	prime headline: 18.5 central: 15.5-17.5 semi-central: 13-15 suburbs: 8-11	11-14.5	8-11.5
Average vacancy rate (%), market average	9.5%	4-9%	n.a.
Capitalization rate (%), primary products	7.50%	8.5-9%	9.5-10.5%
<b>Shopping centers</b>			
Contract rent for an area of 100 sqm on the ground floor, fashion store (Euro/sqm/mo.)	65-70	30-40	15-20
Capitalization rate (%), primary products	7.25%	8.0%-8.5%	9.0%-10.0%
<b>Industrial buildings</b>			
Class A contract rent (Eur/sqm/mo.)	4-4.2 (areas under 3.000 sqm); 3.75-4.0 (areas between 3.000 and 10.000 sqm); 3.3-3.75 (areas above 10.000 sqm)	3.8-4 (areas under 3.000 sqm); 3.5-3.8 (areas between 3.000 and 10.000 sqm); 3-3.5 (areas above 10.000 sqm)	3.5-4 (areas under 3.000 sqm); 3-3.3 (areas between 3.000 and 10.000 sqm); 3-3.5 (areas above 10.000 sqm)
Average vacancy rate (%), market average	3%	5%	n.a.
Capitalization rate (%), primary products	8.50%	9.25-10.25%	9.75-10.75%

Chapter 2:

# Market Data Useful to Estimate the Discount Rate

Applying Discounted Cash Flow Method for Business valuation require estimation of an adequate discount rate in correspondence with the forecasted cash flows. For the discount rate estimation, information regarding the level of risk-free rate, the country risk premium and other risk premiums is needed.

Most often, reference of the risk-free rate is given by the 10-year AAA government bonds issued in the same currency as the forecast cash flows. The yield for Romanian government bonds (rated BB+) compensate the investors both for the time value of money at a level of the risk-free rate as well as for the default risk at the level of the credit risk margin resulting from transactions. Consequently, if the risk-free rate considered in the calculation of the discount rate is represented by the yield of Romanian government bonds, it is not advisable to take into consideration the country risk

premium, too. The level of the credit risk margin for Romanian government bonds can be approximated with the CDS quotations (Credit Default Swap – derivative instrument that transfers credit risk) for investment in Romanian Eurobonds or the difference existing between yields offered by AAA government bonds and Romanian government bonds issued in the same currency and having the same period left to maturity.

In order to have an image about the level of these indicators, we present data on the yield to maturity for Romanian, German and US government bonds, the CDS quotation for 5-year Romanian government bonds issued in Euro and the forecast inflation rate for 2018 for RON, Euro and USD, collected from credible public sources and valid on September 14, 2018.

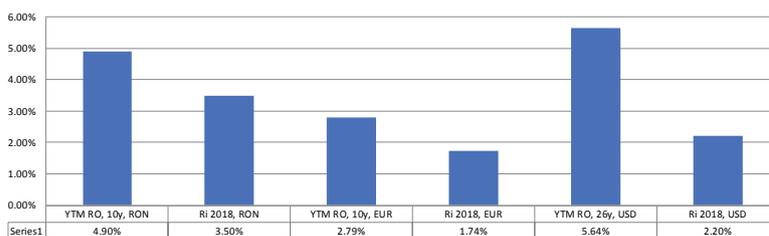
The yield to maturity for 10-year German government bonds issued in Euro (YTM GER, 10y, EUR), as

well as the yield to maturity for 10-year US government bonds issued in USD (YTM SUA, 10y, USD) were taken from the Bloomberg website. The yield to maturity for the Romanian government bonds issued in RON, with 10 years left to maturity (YTM RO, 10y, RON) was taken from the website of the European Central Bank. The yields to maturity for the Romanian government bonds issued in Euro and USD, with 10 years left to maturity (YTM RO, 26y, EUR), respectively (YTM RO, 26y, USD) were taken from the website of the Frankfurt Stock Exchange.

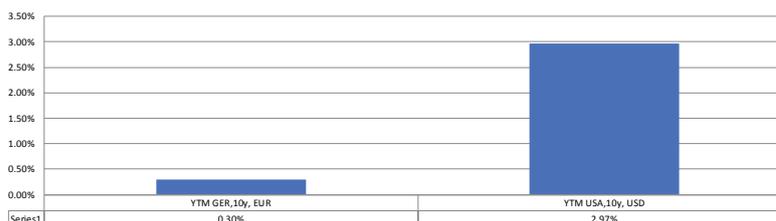
The CDS quotation for 5-year Romanian government bonds issued in Euro was taken from the website of Deutsche Bank Research. The 2018 forecast regarding the inflation rate for Romanian (RON) currency is provided by the National Bank of Romania (BNR), for Euro by the Central European Bank and for USD by the Federal Reserve Bank (FED). ■

YTM RO, 10y, RON	4.90%
Ri 2018, RON	3.50%
YTM RO, 10y, EUR	2.79%
Ri 2018, EUR	1.74%
YTM RO, 26y, USD	5.64%
Ri 2018, USD	2.20%
YTM GER, 10y, EUR	0.30%
YTM USA, 10y, USD	2.97%

Yield to maturity for Romanian government bonds and the 2014 inflation rate forecast



Yields to maturity for German and US government bonds. CDS Romania



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