

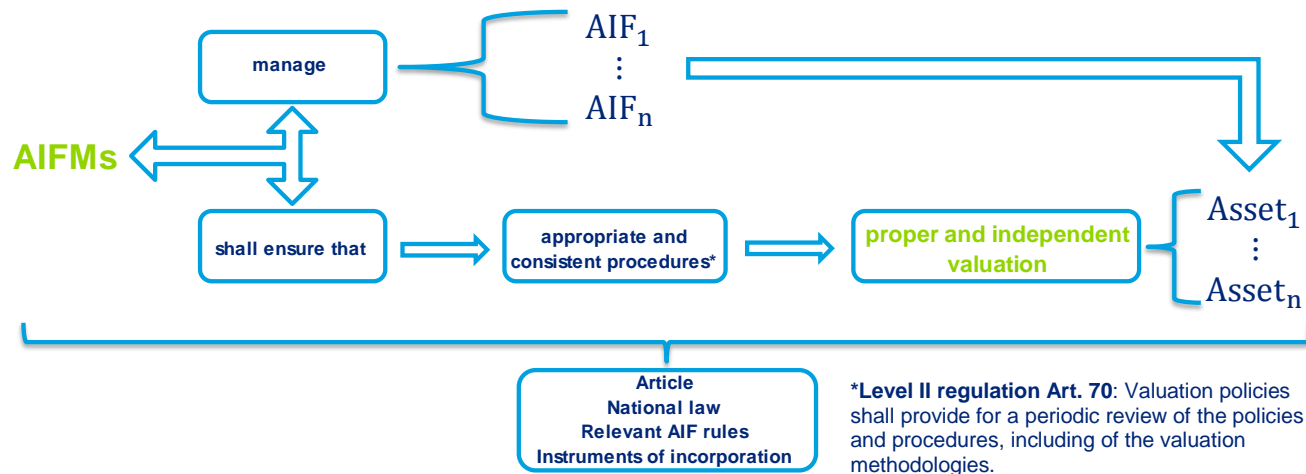
AIFMD – Key questions Real Estate Valuation



What are the responsibilities and tasks of the Alternative Investment Funds Manager (AIFM) in respect of real estate valuation?

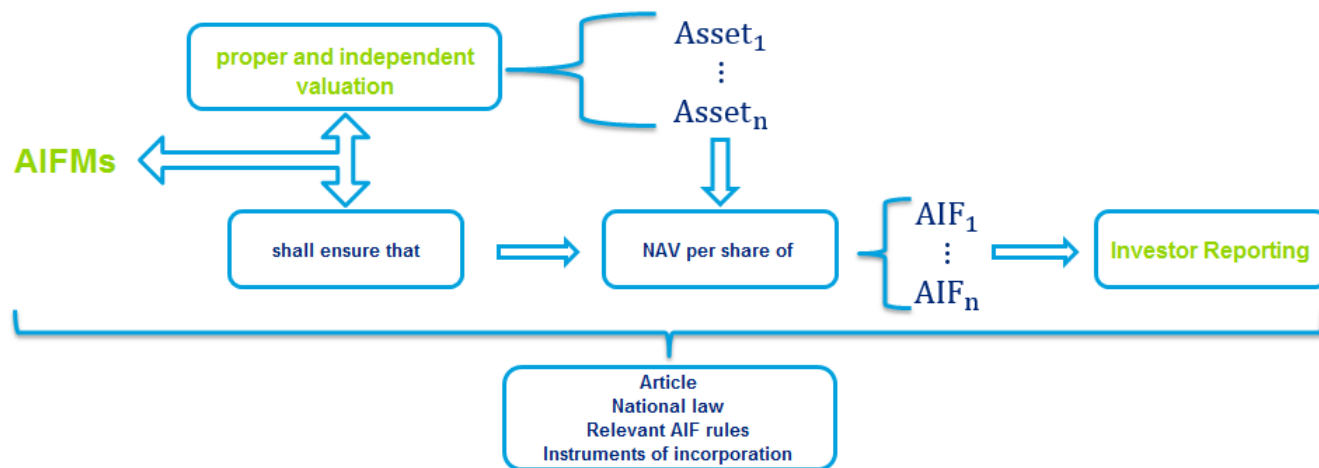
AIFMD §17 (1)

AIFMs must ensure that, for each AIF that they manage, appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the AIF can be performed in accordance with this Article, the applicable national law and the AIF management regulations or instruments of incorporation



AIFMD §17 (3)

AIFMs are also required to ensure that the net asset value per unit or share of AIFs is calculated and disclosed to the investors in accordance with this Article, the applicable national law and the AIF management regulations* or instruments of incorporation.



Our service for Real Estate AIFM's

- Advice or verification for the design and implementation of real estate valuation policies & procedures
- Assistance of the preparation and assessment of the real estate valuations including approaches: income, market, cost etc.
 - methods: DCF, Hardcore, Depreciated replacement costs etc.
 - market data and input factors: yields, rents etc.
- Independent reviews of valuations to confirm valuation results fall within an acceptable range

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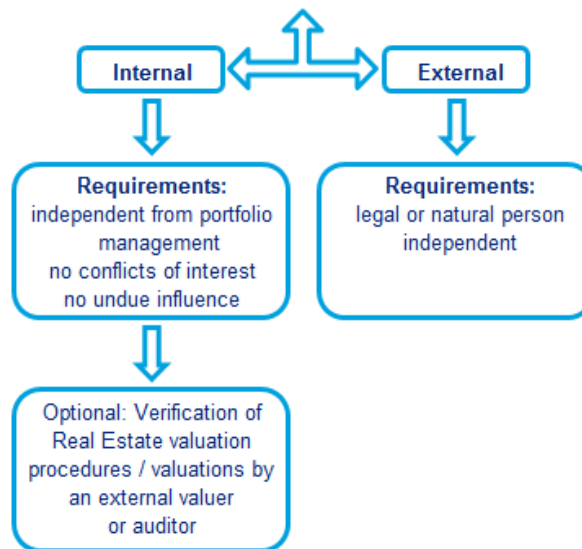
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Valuation



Which valuation rules are applicable for the valuation of real estate assets and the calculation of the net asset value per unit or share of the AIF?

The rules applicable to the valuation of assets and the calculation of the net asset value per unit or share of the AIF shall be laid down in the law of the country where the AIF is established and/or in the AIF rules or instruments of incorporation.

How often are the real estate assets to be valued and the net asset value per unit or share to be calculated?

The valuation procedures used shall ensure that the assets are valued and the net asset value per unit or share is calculated at least once a year.

If the AIF is of the open-ended type, such valuations and calculations shall also be carried out at a frequency which is both appropriate to the assets held by the AIF and its issuance and redemption frequency.

If the AIF is of the closed-ended type, such valuations and calculations shall also be carried out in case of an increase or decrease of the capital by the relevant AIF.

When should the investors be informed of a valuation?

The investors shall be informed of the valuations and calculations as set out in the relevant AIF management regulations or instruments of incorporation.

Refer to the relevant level II regulations on valuation:

- Policies and procedures for the valuation of assets of the AIF
- Use of models to value assets
- Consistent application of valuation policies and procedures
- Periodic review of valuation policies and procedures
- Review of individual values of assets
- Calculation of the net asset value per unit or share
- Frequency of valuation of assets held by open-ended AIFs

Can the appointed external valuer delegate the valuation function to a third party and is the AIFM obliged to report the appointment?

The appointed external valuer shall not delegate the valuation function to a third party and AIFMs shall notify the appointment of the external valuer to the relevant supervising authority which may require that another external valuer be appointed instead.

Can the AIFM as internal valuer involve an external expert to support in some real estate valuation tasks?

Yes, this will be probably in widespread model in real estate to use the external expert to support of the internal valuer ensuring the existing expertise is available to the AIFM.

What could be required if the real estate valuation is performed internally?

The relevant supervising authority may require the AIFM to have its valuation procedures/valuations verified by an external valuer or, where appropriate, by an auditor. The internal valuer should be functionally independent from the portfolio management.

Can the AIFM transfer its liability to an external valuer?

AIFMs are responsible for the proper valuation of AIF assets, the calculation of the net asset value and the publication of that net asset value. The AIFM's liability towards the AIF and its investors shall, therefore, not be affected by the fact that the AIFM has appointed an external valuer, however, the external valuer shall be liable to the AIFM for any losses suffered by the AIFM as a result of the external valuer's negligence or intentional failure to perform its tasks.