

Towards Good Practice Property and Market Rating Software

United Nations Economic Commission
for Europe - REM

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The Problem

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Acute failure of risk assessment by lenders and investors



Lack of understanding of performance potential and marketability



Inadequate regulation of securitization



Crisis in bank lending portfolios



Rating Agencies failed to identify risk in derivative products



The Problem

2



US sub prime MBS debacle precipitated the global recession



“No part of the financial markets is more crucial to revival of lending more broadly than securitisation “(Financial Times 6th May 2009)



Principle 7 of REM Markets Advisory Checklist - transparency & global financial markets



What is the solution?



“Advanced real estate financial products, similar to those developed for securitization, should be redefined as these have significantly contributed to the current global financial crisis.” REM Principle 7



Property Market Rating

Itrium Initiative taking forward TEGoVA “European Property and Market Rating: A Valuer Guide” (PaM) system published October 2003

The development of property risk rating is the most exciting development in valuation since the Sumerian abacus in 2,700 BC.



Opportunity for real estate risk assessment software

"...Valuers were being short sighted in their response to the need for property risk scoring...."

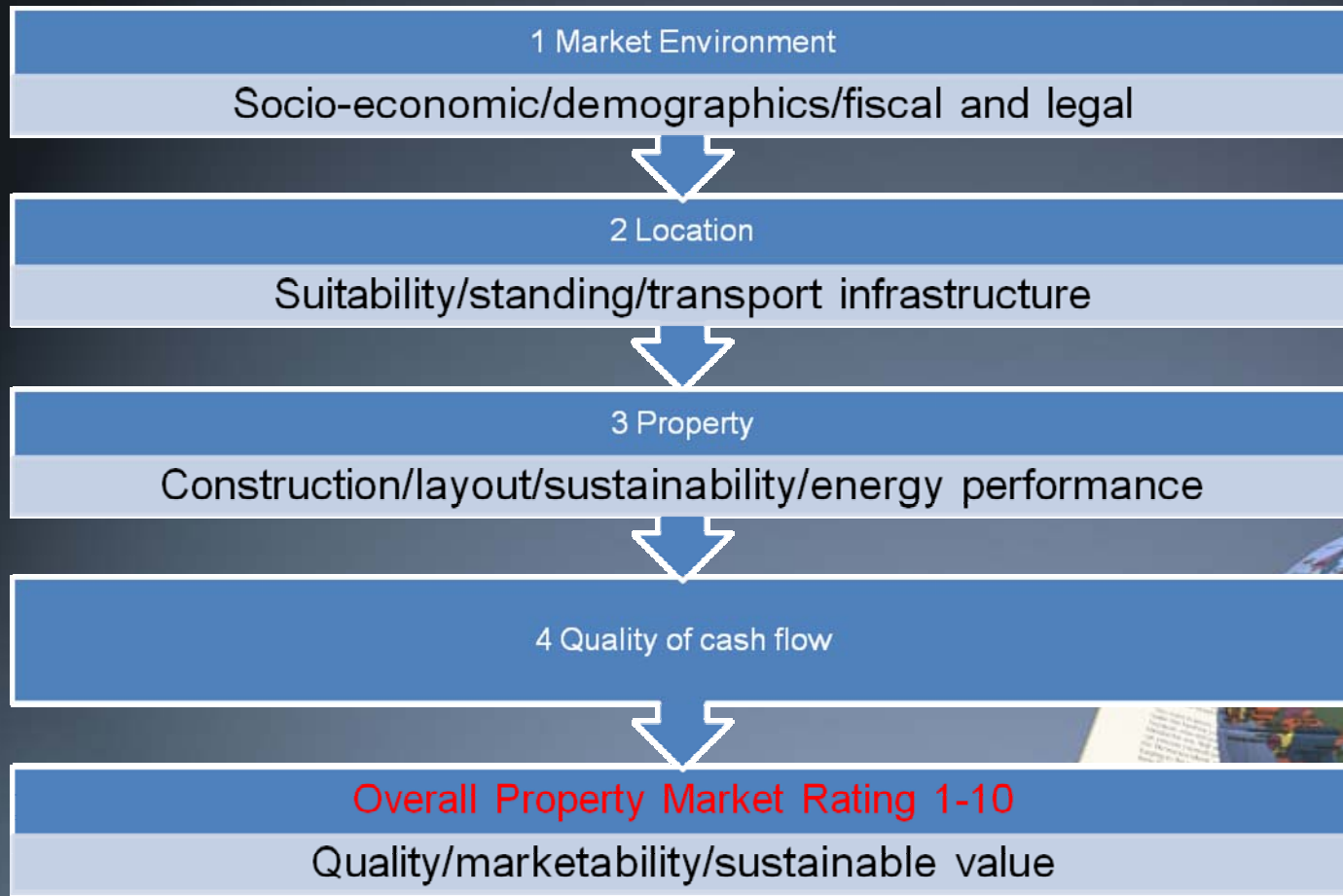
...If valuers do not devise a system of property risk scoring then this service will be provided by the accountancy profession...."

RICS Research April 2007

— extract from quote from lenders



The Property Market Rating Model



Requirement for a consistent approach to risk scoring to ensure accuracy linked to audit trail

A requirement exists for a standardised and consistent approach to risk-based analysis of real estate.

Potential users include:

- Valuers and Property Consultants;
- Banks and financiers;
- Property investors;
- Credit rating agencies;
- Financial analysts; and
- Portfolio managers.



All about statistics

- Statistics are the basic bedrocks underpinning investment decisions
- Itrium has sourced statistics across the European Union
- More is being done with TEGoVA before full roll-out in October 2009
- Key statistics people the Property & Market Rating System
- This saves you time and effort and safeguards objectivity



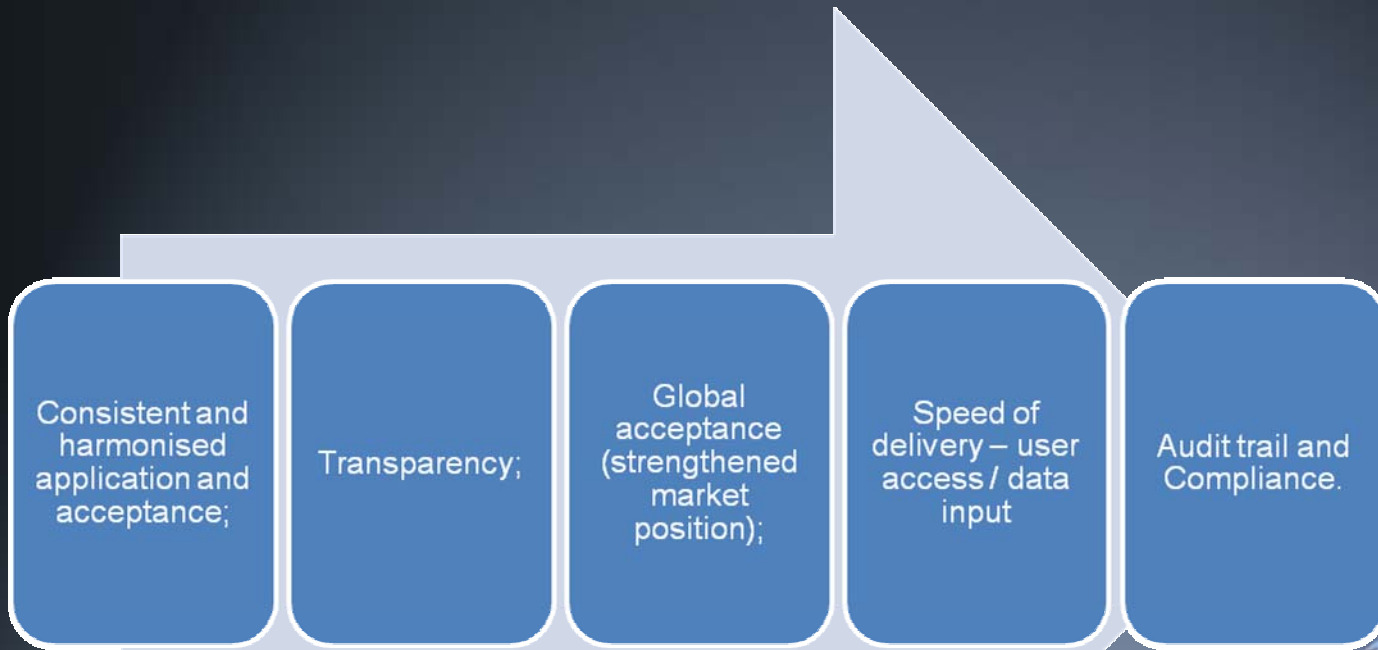
How do we do it?

Lies, damn lies and statistics.
- Mark Twain

- Statistics is a mathematical science pertaining to the collection, analysis, interpretation or explanation, and presentation of data.
- It provides tools for prediction and forecasting based on data.
- Itrium has implemented a comparative system applicable across Europe.
- Nevertheless this must be a constant moving target and Itrium are to working with TEGoVA to manage incremental improvement



Advantages of a software solution



The Product

- Secure web-based system;
- Based on TEGoVA originated PaM methodology;
- Global application, national languages;
- Enabling consistent:
 - Investment portfolio management
 - Compliance management
 - Regional market analysis



STAKEHOLDER BENEFITS

Investment and
lending decisions
de-risked

Transparency and
comparison
between assets
improved

Enhanced
valuation accuracy

Market pricing
efficiency
improved

Investor
confidence in
collective
investment
schemes/MBS

Basle II integration
into bank's risk
models



Property Market Rating & The Recognised European Valuer

- TEGoVA's Recognised European Valuer Scheme is designed to maintain, enhance and harmonise valuation standards and the valuation profession in Europe, and, by the granting of the status TEGoVA 'Recognised European Valuer' and designation REV™, to provide individual practising valuers in each member country with a well-defined indicator of qualification and experience, with the aim of assuring clients of their valuation proficiency.
- TEGoVA's *European Valuation Standards*, *Property Market Rating* and REV reinforce quality of advice, quantify and moderate risk to market participants.

