

**Istituto Italiano di Valutazione Immobiliare (Is.I.V.I.) 's comments
regarding
the CESR's recommendations for the consistent implementation of the European
Commission's Regulation on Prospectuses n. 809/2004
on a Real Estate securities evaluation prospective**

Istituto Italiano di Valutazione Immobiliare (or “**Is.I.V.I.**”) is an Italian association of Real Estate valuers, full member for Italy of European Valuers Association (“**TEGoVA**”). The aim of our association is, inter alia, (i) to promote an European approach to the valuation methods and, in particular, the application of the European Evaluation Standards 2003 (“**EVS2003**”) in the Italian market as formulated by TEGoVA (EVS2003 may be purchased on www.tegova.org or in some book shops), (ii) to support the recognition of the “qualified and certified valuer” in accordance with the national prospective laws regarding liberal professions, (iii) to co-operate with the local University and authorities for new research in the valuation field to improve the transparency of the market and (iv) to produce recommendations in all sectors where a suitable application of valuation standards and Real Estate rating may have a material effect such the financial market (and, in particular, Real Estate funds).

Introduction

As well explained by the executive summary of the Committee of European Securities Regulators (“**CERS**”), the European Commission has adopted on 29th of April 2004 the Regulation n. 809/2004 (as subsequently amended) implementing the Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading (Prospectus Directive). The Regulation will apply from 1 July 2005 which is also the deadline for Members States to implement the Prospectus Directive.

CERS has formulated on June 2004 a document containing recommendations for the consistent implementation of the Prospectus Directive (which may be downloaded from the CESR's website www.cesr-eu.org) and has submitted such a document to a public consultation ending on 18 October 2004. The aim of such recommendations is to contribute to the application of the new rules in a consistent manner.

The hereafter comments intend to provide some suggests concerning evaluation issues which are raised by the Prospectus Directive and by the respective CESR's recommendations. The evaluation of certain special companies (including in particular real estate companies) is an element which may be required to be included in the prospectus according to art. 23 of the Regulation n. 809/2004 by the competent local authority. The CESR's recommendations, see paragraph IV entitled “Special Issuers”, require a valuation report to be included in any prospectus regarding such special companies and fix a minimum content of the same. This recommendation shall be stressed in order to reduce the risk that some national securities authorities may not deem compulsory (see, for example, the Italian CONSOB's prospectus regulation) an evaluation report to be included in the prospectus (at least) in respect to certain special companies as listed under annex XIX of Regulation n. 809/2004 (our comments exclusively refers to Real Estate companies including Real Estate funds).

The same recital 20 of the Regulation n. 809/2004 invites CESR to produce recommendations according to which the competent authorities might require adapted information in respect to the categories of issuers set out in such Annex XIX of the Regulation n. 809/2004.

This consultation is a very good opportunity for supporting the best protection to the public savings and to the financial securities' subscribers. In such respect, it shall be consider the importance for Real Estate securities subscribers of the existence of the professional figure of the “qualified” valuer, in particular, in the financial sector as defined by TEGoVA (see appendix 2 of EVS2003). The prospective European Directive on the mutual recognition of professions in Europe, that is going to be finally approved with year 2004, will be a relevant step for the implementation of harmonisation of requirements of professional valuers .

Property company: open questions

Please find below the questions which CESR intend to submit to the public attention.

“142 – Recital 22 of the Prospectus Regulation invites CESR to produce recommendation on the adapted information that competent authorities might require to the categories of issuers set out in Annex XIX of the Regulation. Do you think detailed recommendations are needed for special issuers or do you think the special features of these issuers could be addressed mainly by the disclosure requirements set out in the schedules and building blocks of the Regulation? ”

We firmly believe that in respect of certain companies (including, in particular, the Real Estate companies/funds) the evaluation of the asset shall have a central role.

The harmonised evaluation has even more an important role when there are a possible conflict of interest between the issuer and the subscribers such as, for example, in the event of (i) subscription in kind of securities (to be subsequently offered to the public) or (ii) relationship of control or of affiliation existing between the investment companies offering the securities (or the companies managing the investment funds) and issuers of the securities.

“150 – Do you agree with the usefulness of requesting a valuation report in general? Please state reasons”

Limiting our answer to the Real Estate sector, the harmonised evaluation report is essential to determine the value of the premises which are acquired by Real Estate funds or which are transfer in kind to them.

In fact, differently from funds which invest in secondary market, the value of those funds who invest in the Real Estate sector, may be determined only through a valuation report due to the absent of a otherwise fixed price of the premises. The evaluation issue is even more important in the event of funds which are created by contribution in kind of a portfolio of premises; in such an event, the evaluation report provides for an essential estimation of the value of the funds.

The transparency of a valuation, its consistency with European standards and the professional ability and independence of the valuers are three features which each of the European Securities Regulators shall be consider essential for an efficient Real Estate securities market.

As to the transparency, the evaluation report shall be contained all elements (data, definition and formula) which allow any third parties to verify the result of the report and compare them with other report. The system of measurement, for example, shall defined. It is useful to compare the eventual different values which can result from different criteria and to explain the choose of a criteria instead of an other.

As to consistency with European standards, the European market securities needs to be based on common and comparable principle. EVS2003 are evaluation standards which have been elaborated and accepted by 38 professional bodies from 27 different countries in order to create a common and comparable market in the Real Estate sector including the financial one. The Guidance Note 14 of EVS2003 focuses specifically on property risk of a portfolio (i.e. Rating).

As to the professional ability and independence of the valuers, for example, TEGoVA has fixed harmonised requirements to define the figure of the qualified and professional; such requirements are going to be implemented by an European Directive regarding the mutual recognition and regulation of professions across EU.

“151 – What rules do you think the report should comply with (such as those of the country of the competent authority that approves the prospectus or other different rules)? Please state your reasons”

As stated above, Is.I.V.I. stresses on the application of common European standards such as EVS2003 in order to render prospectus harmonised and comprehensible across EU.

“152 – Do you think that the condensed report should be allowed if the company holds more than 60 properties or would you choose another figure? Please state your reasons”

A condensed report, if the company holds more than 60 properties, is useful in addition to all the single reports regarding each properties. All the reports shall be easily downloaded from a web site.

“153 – Do you think a valuation report is needed with respect to each property or do you consider a condensed report as sufficient? Please state your reasons”

Only the single reports are enough transparent information to allow the subscribers to verify the value of the properties and to determine the respective risk of the Real Estate properties (i.e. Rating of the same).

“154 – Considering the objective of the report, do you think it can be older than 60 days?”

The market is changing constantly and quite rapidly. If it is necessary to increase such period, it would be advisable not exceed 90 days.

“155 – Do you agree with the proposed recommendations? If not, please state your reasons”

We agree with the proposed recommendations which can be improve, but it is the right direction. We suggest to require to provide the agreement between the independent valuers and the issuer of securities in order to verify the independence and the professional ability of the valuers.

Moreover, it behoves to insert some principle commonly accepted which reduce the risk for the public subscribers. For example, if the valuation is based on a cash discounted method, it is necessary to compare the existing rent revenue with the applicable rent market benchmark and to take in consideration this latter element to determine the value; otherwise, in the event of default of the lease agreement the landlord is not able to re-rent the premises at the same price.

The rating of a Real Estate fund is a second step which should be recommended in order to determine its risk in accordance with Guidance Note 14 of EVS2003.

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