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The Autorité des marchés financiers (AMF) and the Autorité des normes comptables (ANC) issue a reminder on their expectations for the valuation of real estate assets

In the context of a very active real estate market, the two authorities wish to remind market participants of the need to employ rigorous methodologies for assessing the value of real estate assets.

Real estate market trends and the substantial increase in inflows to real estate sector financial products – notably real estate investment companies (SCPI) and real estate collective investment undertakings (OPCI) – have drawn the attention of supervisory authorities, who wish to remind market participants of the need for vigilance in this respect. The Haut Conseil de Stabilité Financière (HCSF) already communicated its observations on the market in a press release issued 15 March 2017.

In such a context, the AMF and ANC wish to call attention to fact that the valuations of properties are sensitive to the methods and assumptions used to assess their valuation.

In particular, the use of current values, taking into account data derived from the most recent transactions (selling prices, lease terms, expected rates of return, etc.), in the valuation of an entire asset portfolio may lead to significant fluctuations under certain circumstances.

In accordance with prevailing standards, the two authorities wish to remind market participants of the need to use a rigorous and objective valuation methodology and to

supply all necessary information, notably with respect to assumptions extrapolated from observed data, the sensitivity of those assumptions, and how the most sensitive situations are taken into account.

This reminder also applies to investment vehicles, notably collective investment undertakings (organismes de placement collectif, or OPC) that publish the value of units or shares.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected, providing investors with adequate information and supervising the orderly operation of markets. Visit our website www.amf-france.org

About the ANC

The French Accounting Standards Authority (ANC) establishes French accounting standards, participates in the development of international accounting standards and conducts work on accounting research. www.anc.gouv.fr

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