Valuation and Disclosure of Investment Property

Supervision of Financial Reporting

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Contents

The Netherlands Authority for the Financial Markets

The AFM promotes fair and transparent financial markets. We are the independent supervisory authority for the savings, lending, investment and insurance markets. The AFM promotes the conscientious provision of financial services to consumers and supervises the honest and efficient operation of the capital markets. Our aim is to improve consumers' and the business sector's confidence in the financial markets, both in the Netherlands and abroad. In performing this task the AFM contributes to the prosperity and economic reputation of the Netherlands.

1 Executive Summary

The valuation of investment property continues to be a topical issue, partly as a result of the current economic developments. For this reason the AFM has, as announced last year, reviewed the 2011 financial statements of listed companies with significant property portfolios, with respect to the valuation and disclosure of investment property. The main findings of the review are:

- **Property investment institutions are providing more information on property valuation, but this information is not readily comparable;**
- **Useful sensitivity analyses of assumptions used are provided by nearly all property investment institutions, and mainly concern the discount rate and the rental income;**
- **Property investment institutions have their portfolios valued by external valuers once or twice a year;**
- **Despite external valuations, the property owned by four of the seven property investment institutions under review is valued by the market at a value that was approximately 15% lower than the value recorded in the external valuations;**
- **A limited number of property investment institutions do not provide information on the (fixed) operating expenses of property that is not leased;**
- **Financial institutions provide significantly less information than property investment institutions.**

Property investment institutions are providing more information on property valuation, but this information is not readily comparable

Compared to 2010, property investment institutions provided more information on the valuation methods used and the related underlying assumptions in the disclosures in their financial reporting for 2011. The most common assumptions concern expected rental income, the discount rate and the expectation with respect to vacancy. This more detailed disclosure (in both qualitative and quantitative terms) has increased the relevance of the financial reporting, and therefore also its quality. The definitions of the assumptions and the aggregation levels at which the information is provided, however, vary widely. This makes it difficult for investors to compare the information provided by the various property investment institutions. And the ability to compare information is precisely what investors need in order to form a decision. Better comparability would therefore lead to a further improvement in quality. The AFM also takes the view that further harmonisation within the sector would be highly desirable, for instance in the context of the European Public Real Estate Association (EPRA), in order to achieve further standardisation of the information.

Property investment institutions provide useful sensitivity analyses, but these are not readily comparable either

Providing a sensitivity analysis of the assumptions used, in addition to the assumptions reported by the institution concerned, is extremely useful for investors. An understanding of the sensitivity of these assumptions is important in the assessment of the effect of these assumptions on the property investment institution's financial position. Nearly all property investment institutions include sensitivity analyses in their disclosures, however, further improvement would be desirable in certain respects. The analyses mostly concern sensitivity as a result of changes in the discount rate, and to a lesser extent sensitivity as a result of changes in rental income. The aggregation level used varies widely. Here too, the AFM takes the view that further harmonisation within the sector would be desirable, in order to further increase the quality of the financial reporting. The AFM would moreover like to see other important assumptions, such as expected vacancy and the rent incentives provided, included in the analyses.

Property investment institutions have their portfolios valued by external valuers once or twice a year

All the property investment institutions measure their property at fair value. The most commonly used valuation methods are: Discounted Cash Flow, Net Initial Yield or Gross Initial Yield, and the comparable value method. In establishing the fair value, property investment institutions are usually assisted by external valuers who value the property once or twice a year. Generally, this involves the use of several valuers who are not associated with each other and who are usually rotated on a regular basis. The AFM takes the view that external valuations increase the credibility of the measurement, as long as the valuation is made by independent third parties that have no direct interest in the amount of the value of the property.[1]

Despite external valuations, the property owned by four of the seven property investment institutions under review is valued by the market at a value that was approximately 15% lower than the value recorded in the external valuations

The ratio between the market value of the institution and the net asset value of the institution is an important measure of how the market assesses the valuation of property portfolios. In four of the seven property investment institutions reviewed, the AFM observes a fall in this ratio of approximately 30% at year-end 2011 compared to year-end 2010. In most cases this means in practice that the ratio declined from around 100% at the end of 2010 to around 70% at the end of 2011. This would appear to suggest that investors are taking into account a still remaining overvaluation of the property portfolio of approximately 15%, if account is taken of the leverage effect of loan capital. No account is taken of deferred taxation.

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[1] *The AFM, de Nederlandsche Bank (DNB), the property sector and auditors met to discuss transparency and the fair value measurement of investment property on Tuesday 9 October. During the round table meeting, the recommendations of the Platform Taxateurs en Accountants (PTA) [The Valuers and Auditors Platform] for increased transparency and unambiguous valuations of offices and retail property were the central focus. The AFM and DNB are keen to continue the dialogue with the investment property sector regarding matters including further implementation of the recommendations. A third round table meeting is planned for early 2013. The PTA is an initiative of the Netherlands Institute of Chartered Accountants [Nederlandse Beroepsvereniging van Accountants, or NBA] with the cooperation of VastgoedCert.*

A limited number of property investment institutions do not provide information on the (fixed) operating expenses of property that is not leased

Finally, we would like to note that nearly all the property investment institutions provide the other required disclosures (such as the inclusion of a detailed movement schedule). Only the allocation of the operating expenses of the investment property into leased and unleased property is, in a small number of cases, not disclosed. The AFM is of the opinion that an understanding of the allocation of operating expenses is important, since this is a fixed component in the expense of the property, regardless of whether it is leased or not.

Financial institutions provide significantly less information than property investment institutions

In contrast to the property investment institutions that were reviewed, most of the financial institutions under review that also had material property investments only give a qualitative disclosure of the assumptions used. The AFM found that a quantitative disclosure was provided by only four of the nine institutions under review. This is, in any case, an improvement on 2010, when only one institution provided this information. The AFM did not encounter any sensitivity analyses regarding the assumptions underlying the valuation among the financial institutions under review.

The property investment portfolios held by these financial institutions are material in comparison to their equity. Information on the assumptions, and the sensitivity of the valuation to changes in the assumptions, is therefore of vital importance for the assessment of the financial institution's financial position.

In the majority of the financial statements reviewed, financial institutions also use the fair value method of measurement. We found that three of the institutions used the cost price method, but they also stated the fair value in the disclosure. The valuation techniques underlying the determination of the fair value were adequately disclosed in almost all cases. In three cases no further disclosure was found. The most commonly used valuation methods here as well are: Discounted Cash Flow, Net Initial Yield or Gross Initial Yield, and the comparable value method.

Financial institutions have their property portfolios independently valued to an extent that is significantly less frequent than that of property investment institutions. We have observed intervals here of up to once every five years, and it is moreover not clear in all cases whether one or more valuers are used. This does not reinforce the credibility of the fair values of the property investments that are reported.

Finally, we would like to note that, as is the case with the property investment institutions, compliance with the other disclosure requirements by financial institutions is generally satisfactory. Here too, however, the disclosure of the allocation of operating expenses for the property investments into leased and unleased property is an exception to the above.

Review population

The above review concerns 20 securities issuing institutions with significant property portfolios. Seven of these institutions can be described as typical property investment institutions. Nine of the institutions reviewed are financial institutions. The remaining four institutions concern two investment institutions that concentrate on a wider range of investments (including property) and two institutions whose primary business is project development. All institutions report on the basis of IAS 40, the IFRS relating to investment property. The average portfolio size of the property investment institutions is approximately €2.6 billion. For the financial institutions, this figure is approximately €1.7 billion.

Further explanation and substantiation of our findings can be found in the full report on this review.

2 Key review results

2.1 Property investment institutions are providing more information on property valuation, but this information is not readily comparable

One of the decisions investors have to make concerns the choice between possible investment alternatives. The provision of adequate information on the way in which property portfolios are valued is therefore important to investors. A detailed description of the valuation methods used is a minimum requirement. It is moreover important that detailed qualitative and quantitative information is provided on the assumptions used. Finally, it is important that the information provided is comparable with other such information provided. Comparability will improve if the assumptions used are clearly described in the published disclosures and shown at the same aggregation level.

International Accounting Standard 40 (IAS 40) states in paragraph 40.75(d) that the institution shall provide further disclosure in relation to its property investments regarding the valuation method and assumptions used. In its Conceptual Framework, the IASB states that information is more useful if it can be compared with similar information from other entities and with information from the same entity for another period or date (QC 20). The IASB moreover states that comparability is not the same as consistency, although consistency does contribute to improved comparability (QC 22). Lastly, the IASB states that comparability is not the same as uniformity. Uniformity should be applied to things that are similar. It should not lead to a situation in which dissimilar things are made to look similar (QC 23).

The AFM's view is that, in addition to a qualitative description, a detailed quantitative description of the assumptions used should be provided. The AFM furthermore believes that the quality of financial reporting would improve if the assumptions used in determining the value of property portfolios were comparable.

Specific attention was devoted to the way in which the assumptions used are presented in the financial statements reviewed by the AFM. The focus was on the following issues:

- **Which assumptions are disclosed in qualitative terms and/or in quantitative terms;**
- **To what extent the assumptions differ from the assumptions stated in the financial statements for the previous financial year, and the financial statements of similar companies;**
- **What degree of aggregation is applied;**
- **Where in the annual report, the financial statements or the report of the executive board this information is provided.**

Compared to 2010, property investment institutions provided more information on the valuation methods used and the related underlying assumptions in the disclosures in their financial reporting for 2011. This more detailed disclosure (in both qualitative and quantitative terms) has increased the relevance of the financial reporting, and therefore also its quality.

The most common assumptions that have been disclosed further in quantitative terms are: expected rental income (six disclosures), the discount rate (five disclosures) and the occupancy rate (three disclosures). This disclosure has doubled in comparison to the 2010 financial year (2010: a total of seven disclosures). The occupancy rate used in the valuation was not disclosed at all in 2010. In its future reviews, the AFM will check the extent to which companies that have not yet made these disclosures (or all of these disclosures) do disclose this information in their future financial statements.

Most of the property investment institutions aggregate the information provided at country level. A limited number do this at individual property level. It should be noted that this only concerns institutions that concentrate on one type of property. Institutions with various types of property do not divide the assumptions into property types.

The table below gives a summary of the findings described above. This information is mostly included in the financial statements of property investment institutions. The AFM encountered additional quantitative information relating to the assumptions used in the annual report in only two cases. This concerned further information on the duration of the rental agreements. The AFM takes the view that this information should be presented in the financial statements, and not in the annual report.

Assumption	**Number of disclosures**	**Level of aggregation**			**Additions compared to previous financial year**
		None	**Country**	**Type**	
Rental income	6	1	5	3	2
Discount rate	5	0	5	2	2
Duration of contract	2	0	2	1	2
Rental incentives	1	0	1	1	1
Transaction costs	2	0	2	2	0
Occupancy rate	3	0	3	1	3
Final value	1	0	1	1	0
Inflation	1	0	1	1	1
Growth	1	0	1	1	1

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Based on its review, the AFM notes that further disclosure regarding the assumptions used has improved since 2010. However, the assumptions and the levels of aggregation used, which are both very divergent, make comparing the different property investment institutions difficult. Therefore, the AFM takes the view that further harmonisation within the sector is highly desirable, in order to achieve further standardisation of information. This could be implemented under the leadership of EPRA, whose membership includes most of the listed property investment institutions reviewed. The AFM will check the results of this further discussion against the reporting requirements.

2.2 Property investment institutions provide useful sensitivity analyses, but these are not readily comparable

The assumptions used in the determination of the fair value of property investments are inherently subjective. It is therefore important that investors are provided with information on the sensitivity of the property valuations to changes in these assumptions. This information will be strengthened if property investment institutions provide sensitivity analyses for the key assumptions used in the valuation of the property portfolio. Here too, better comparability will increase the quality of information provided to the user.

IAS 40 does not have specific provisions with regard to sensitivity analyses of the assumptions used. IFRS 13, which is expected to be effective from 1 January 2013, prescribes a qualitative description of the sensitivity of the assumptions (IFRS 13.93(h)). The IASB wished to acknowledge the objections of the compilers of financial summaries, which stated that the costs of a quantitative disclosure would outweigh the benefits (IFRS 13.BC.205), despite the explicit request from users of the information to make this disclosure mandatory.

The AFM's view is that a quantitative sensitivity analysis in addition to a qualitative disclosure increases the user's understanding of the valuation of the property investments. The AFM accordingly included this aspect in its review. The review shows that six of the seven property investment institutions reviewed did provide a sensitivity analysis. This concerned the discount rate in six cases, and in four of these six cases the sensitivity of changes to the expected rental income was also disclosed. In three cases, this last disclosure was an addition to the disclosure provided in 2010.

Half of the property investment institutions provide the sensitivity analyses at country level. It is noted in this context that, in two of the three cases, the property investment institution concerned only manages one type of property. This means that information is actually provided per country and per property type. The other half of such institutions present the analysis at portfolio level. The AFM did not encounter any sensitivity analyses relating to the occupancy rate used and the rent incentives provided.

The AFM's view is that further harmonisation within the sector with regard to the level of aggregation of the information provided would be desirable, in order to further improve the quality of the financial reporting. The AFM also considers that the analyses should be extended to include other key assumptions, such as the sensitivity of the value of the property portfolio to changes in the occupancy rate and the rent incentives provided.

2.3 Property investment institutions have their portfolios valued by external valuers once or twice a year

The property portfolio may be valued either internally or externally. Internal valuations are cheaper, external valuations are more credible. In the case of external valuations, it is important that the valuer is independent. The costs of the valuation clearly should not be related to the value of the property portfolio. It is also important that the external valuer is an expert and has experience of valuing similar property. Credibility is further enhanced by engaging several valuers, or rotating the valuers on a regular basis.

Valuation by external valuers is not a requirement under IAS 40. However, IAS 40.75(e) does require that the company states whether the valuation has been made by an external valuer, and that it gives account of the valuer's expertise regarding the company's property. The note to IAS 40 shows that the IASB encourages usage of external valuers, but does not make this compulsory (IAS 40.B.56).

All the property investment institutions measure their property at fair value. The most commonly used valuation methods are: Discounted Cash Flow, Net Initial Yield or Gross Initial Yield, and the comparable value method. Property investment institutions frequently use the services of external valuers when establishing fair value. In its review, the AFM noted that six of the seven property investment institutions reviewed have their property portfolios valued by external valuers at least once a year. Four of the seven institutions reviewed have their property portfolios externally valued twice a year. Two institutions state that they use several valuers who are regularly rotated.

The AFM takes the view that external valuations increase the credibility of the measurement of property. The AFM accordingly urges institutions to have their entire property portfolio valued by an independent external valuer at least once a year. Regular rotation of the valuers will increase the credibility of the valuations.[2]

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[2] The AFM, de Nederlandsche Bank (DNB), the property sector and auditors met to discuss transparency and the fair value measurement of investment property on Tuesday 9 October. During the round table meeting, the recommendations of the Platform Taxateurs en Accountants (PTA) [The Valuers and Auditors Platform] for increased transparency and unambiguous valuations of offices and retail property were the central focus. The AFM and DNB are keen to continue the dialogue with the investment property sector regarding matters including further implementation of the recommendations. A third round table meeting is planned for early 2013. The PTA is an initiative of the Netherlands Institute of Chartered Accountants [Nederlandse Beroepsvereniging van Accountants, or NBA] with the cooperation of VastgoedCert.

2.4 Despite external valuations, the property owned by four of the seven property investment institutions under review is valued by the market at a value that was approximately 15% lower than the value recorded in the external valuations

The AFM has reviewed the development of the ratio between market value and the carrying amount of property investment institutions. Among other things, this ratio is an indication of the estimation of the market value of investment property by investors. EPRA takes the view that the carrying amount of a property investment institution is excessively influenced by certain reporting requirements (for example, the treatment of derivatives and deferred tax liabilities). EPRA has thus coined its own definition of the carrying amount, which it calls the 'Triple Net Asset Value' (NNNAV). The AFM has accordingly studied the development of this ratio on the basis of NNNAV as well as on the basis of the IFRS carrying amount of the equity. Only four of the seven institutions actually state the NNNAV in their financial reporting.

The AFM notes that the ratio between market value and carrying amount on 30 April 2012 was on average 27% lower than it was in 2010. On 31 December 2011, the decline was on average 24% compared to 31 December 2010. In terms of NNNAV, the declines were 27% and 28% respectively. Further analysis shows that two institutions have remained relatively unchanged, and that one institution is in financial difficulties[3]. When adjusted for the institutions with a relatively constant market value/carrying amount ratio, the respective decline in these ratios has been 32% and 33% on the basis of IFRS carrying amount, and 27% and 31% on the basis of NNNAV. Appendix A gives a further explanation and a comprehensive overview of the results.

Based on the above findings, the AFM infers that investors are expecting further write-downs of property portfolios, and that these write-downs are already fully or partially reflected in the market value. It is notable that the declines in the ratio on the basis of IFRS and on the basis of NNNAV are of a similar order. The AFM concludes from this that the effect of other factors, such as hedging of interest-rate risks and availability of deferred taxation, has little effect on expected cash flows. On average, investment property portfolios are, for 55%, funded out of equity. Adjusting for this, it would seem that the market is expecting a further write-down of property portfolios of approximately 15%.

2.5 A limited number of property investment institutions do not provide information on the (fixed) operating expenses of property that is not leased

Analysis of the results of property investments is important to investors, because the various income and expense items are different in nature. An understanding of the expenditure on regularly recurring operating expenses is important, since this is a permanent component in the expense of the property, regardless of whether it is leased or not. It is moreover important to be

[3] *Due to the exceptional situation in which it finds itself, this institution has been left out of the calculation of the population average for the market value/carrying amount ratio.*

able to establish which part of these expenses can be recharged to the user of the property. For this reason it is important that investors are provided with information on the part of the operating expenses that relates to leased property, and the part that relates to unleased property.

It is an explicit requirement under IAS 40.75(f)(ii) and (iii) that information is provided on direct operating expenses arising from investment property that has generated rental income during the period, and from investment property that has not generated rental income during the period.

The AFM notes that this distinction is not made by three of the seven property investment institutions reviewed. The AFM additionally notes that in one case, the vacancy percentage was less than 1%, and that therefore this distinction may not be material.

The AFM takes the view that information on the covered and uncovered fixed operating expenses is important to investors. The AFM thus calls on the institutions concerned to provide this analysis of their fixed operating expenses in accordance with IAS 40.75(f)(ii) and (iii) in their future financial reporting.

2.6 Financial institutions provide significantly less information than property investment institutions

The size of the property portfolios held by financial institutions is comparable in absolute terms to the property portfolios held by property investment institutions. The investment property portfolios at all the financial institutions reviewed were smaller in comparison to equity, but still material. Information on these investment property portfolios is therefore important to investors.

IFRS does not have any specific provisions for financial institutions. Like property investment institutions, financial institutions must therefore measure and present their investment property portfolios in accordance with the reporting regulations of IAS 40.

In addition to the property investment institutions, the AFM also reviewed financial institutions with material investment property portfolios. The average size of the investment property portfolios at the financial institutions reviewed is approximately €1.7 billion. On average, this represents 10% of equity, although this percentage varies widely. In three cases it is significantly lower, two are more or less average, and in four cases the percentage is notably higher, ranging from 26% to 110%.

In contrast to the property investment institutions, the financial institutions with material property investments reviewed mostly give only a qualitative disclosure of the assumptions used. The AFM found a quantitative disclosure in only four of the institutions under review. This is, in any case, an improvement on 2010, when only one institution provided this information. Of the four institutions whose investment property portfolios represent more than 25% of equity, only one provided an additional quantitative disclosure in relation to the assumptions.

The AFM did not find any sensitivity analyses regarding the assumptions underlying the valuation of the investment property among the financial institutions under review.

In comparison to the equity of these financial institutions, the investment property portfolios they hold are in most cases material. Information on the assumptions and the sensitivity of the valuation to changes in the assumptions is therefore of vital importance for the assessment of the financial institution's financial position. The AFM urges the institutions concerned to provide more information on the assumptions and on the sensitivity of these assumptions in their future financial reporting.

In the majority of the financial statements reviewed, financial institutions use the fair value method of measurement. The AFM encountered use of the cost price method in three cases. Although this method is permitted under IAS 40, it is clearly less used, as evidenced by this review. The portfolio measured on the basis of cost accounted for more than 25% of equity in two of three institutions using this method. The fair value was, however, stated in the disclosure in these cases.

The valuation techniques underlying the determination of the fair value were adequately disclosed in almost all cases. In three cases, the AFM found no further disclosure. The most commonly used valuation methods here as well are: Discounted Cash Flow, Net Initial Yield or Gross Initial Yield, and the comparable value method.

Financial institutions have their property portfolios independently valued to a significantly less frequent extent than those of property investment institutions. Valuation by external valuers usually takes place only once a year, and in two cases the frequency was once in five years. In one case, there was no explanation provided as to how the valuations were made. It was also not clear in all cases whether one or several valuers were used. These findings do not reinforce the credibility of the fair values of the property investments that are reported.

Finally, we would like to note that, as is the case with the property investment institutions, compliance with the other disclosure requirements by financial institutions is generally satisfactory. Here too however, the disclosure of the allocation of operating expenses for the property investments into leased and unleased property is an exception to the above.

The AFM believes that there is considerable room for improvement in the reporting of the measurement of investment property portfolios by financial institutions, with, in particular, but not restricted to, attention to the following points:

- **More quantitative information on the assumptions;**
- **Inclusion of sensitivity analyses for the key assumptions;**
- **Greater regularity of external valuations.**

3 Notes on the review design and other review results

3.1 Rationale, objectives and population

The valuation of investment property continues to be a topical issue, partly as a result of the current difficult economic situation. The IAS 40 Thematic Review is intended to encourage companies to improve the quality of their financial reporting of property investments. The supervision moreover contributes to increasing public knowledge of companies and thereby to improving the operation of the capital markets.

As announced last year, the AFM has, for this reason, reviewed the 2011 financial statements of twenty listed companies with significant property portfolios with respect to the valuation and disclosure of investment property. Seven of these twenty institutions can be described as typical property investment institutions. The other thirteen institutions concern nine financial institutions, two investment institutions that concentrate on a wider range of investments (including property) and two institutions whose primary business is project development.

The research population thus concerns all the property investment institutions listed on the AEX, AMX and ASCX of Euronext as at 31 December 2011 (ICB 8700), as well as financial institutions which a priori are expected to hold substantial investment property portfolios (>2.5% of total assets). Other institutions, such as corporates with substantial property portfolios, were not selected, because in these cases the property is held strategically to support the corporate's operations[4].

All the institutions report on the basis of IAS 40, the IFRS relating to investment property. The average portfolio size of the property investment institutions is approximately €2.6 billion. For the financial institutions, this figure is approximately €1.7 billion.

3.2 Research results for other institutions

The research results regarding the other four institutions, of which two focus mainly on project developments and the other two hold mixed investment portfolios, are varied and divergent.

One institution provides only qualitative information on its valuation methods and assumptions used. However, this institution disposed of its entire investment property portfolio in 2012 and measured its portfolio at year-end 2011 at the sale price.

The other institutions provide both qualitative and quantitative information on the valuation methods and the assumptions used. The quantitative disclosures have been especially

[4] *Ahold for example has a large property portfolio, but this concerns retail premises held by Ahold mainly for strategic reasons.*

extended in comparison to 2010. Aggregation is shown at country level, and to a lesser extent by type of property.

As was the case in 2010, only one company provided a sensitivity analysis. This institution reported the sensitivity to changes in both the discount rate and the rental income, aggregated at country level.

With regard to the other disclosures required under IAS 40, the AFM notes that (as is the case with the property investment institutions) these are, in general, satisfactorily complied with, apart from the distinction between operating expenses for leased property and for unleased property.

Appendix A: Note on the ratio of market value to carrying amount

The theoretical market value of a company is, in principle, equal to the present value of the future cash flows. This also applies by analogy to the fair value of a company's assets and liabilities. If all of a company's assets and liabilities were measured at fair value, in theory the market value of the company would be the same as the carrying amount of its equity. This is not the case in practice, because not all assets and liabilities are measured at fair value and because (self-generated) economic goodwill may not be capitalised.

Property investment institutions have a relatively simple statement of financial position. The principal assets are the property investments and the principal liabilities are the drawn down loans. Property investments are measured by all property investment institutions at fair value. The drawn down loans are measured at amortised cost. Disregarding tax implications, in principle a difference in the market value compared to the carrying amount can therefore only occur as a result of an adjustment to the fair value of the drawn down loans. This difference is relatively limited because of the short life to maturity of the loans drawn down by property investment institutions (less than five years in the vast majority of cases). This difference should moreover remain relatively constant compared to the previous financial year, due to the fact that the yield curve at year-end 2011 has not significantly changed since the end of 2010.

The AFM has reviewed the development of the ratio between market value and the carrying amount of the property owned by property investment institutions. This ratio has been calculated as at year-end 2011 and year-end 2010, and the difference between these two measurements has been established. The ratio has furthermore been calculated on the basis of the carrying amount under IFRS and on the basis of the NNNAV developed by EPRA. The ratio based on NNNAV arises in only four cases, since not all institutions report this measure. The same calculations have been performed as of the date of announcement of the result for the previous financial year, the date on which the financial reporting was published and as of 30 April of the financial year following the year to which the financial reporting relates (therefore, 30 April 2011 and 30 April 2012).

A full overview of the results is presented in the table below. The AFM notes with reference to the measurements on the date of announcement of the result and the date of publication of the financial statements are not pure measurements, since these dates vary for each institution concerned. Other market effects could therefore have affected the development of the ratio.

	N	2011 total	2010 total	Δ	N	2011 excl.[5]	2010 excl.	Δ
Market value vs. IFRS carrying amount per share								
Statement of financial position date year t	6	76%	100%	-24%	4	70%	103%	-33%
Announcement of result for the year	6	79%	99%	-20%	4	74%	103%	-29%
Publication of financial statements	6	80%	99%	-19%	4	75%	103%	-28%
30 April year t+1[6]	5	73%	100%	-27%	4	70%	102%	-32%
Gearing effect[7]	6	51%	53%	-		52%	54%	-
Market value vs. NNNAV								
Statement of financial position date year t	4	72%	100%	-28%	3	67%	98%	-31%
Announcement of result for the year	4	77%	96%	-19%	3	73%	99%	-26%
Publication of financial statements	4	80%	96%	-16%	3	74%	98%	-24%
30 April year t+1[8]	3	70%	97%	-27%	3	70%	97%	-27%
Gearing effect	4	55%	57%	-	3	56%	58%	-

[5] *Two property investment institutions that experienced no significant change in the market value to carrying amount ratio have been removed from the columns marked 'excl.'.*
[6] *Excluding one institution due to a non-calendar financial year.*
[7] *The effect of gearing is defined as the quotient of equity and total assets.*
[8] *Excluding one institution due to a non-calendar financial year.*

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Amsterdam, October 2012