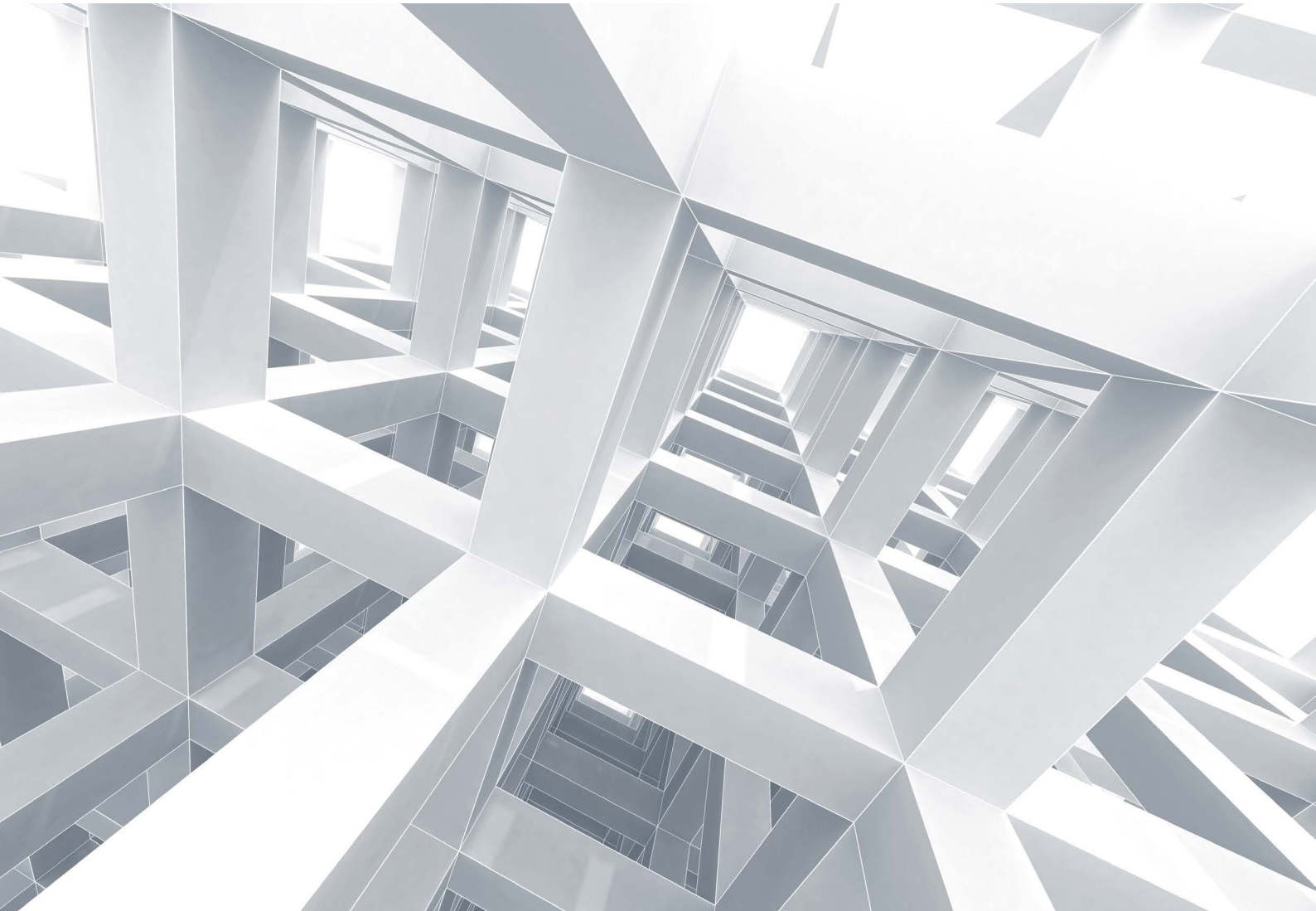




RICS professional guidance, Greece

Application of the RICS Valuation - Professional Standards in Greece

1st edition, June 2016



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Published by the Royal Institution of Chartered Surveyors (RICS)

Parliament Square
London
SW1P 3AD
UK

www.rics.org

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Produced by the RICS Greece members.

ISBN 978 1 78321 078 7

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Typeset in Great Britain by Columns Design XML Ltd, Reading, Berks

Acknowledgments

RICS would like to thank:

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- Nikos Chatzitsolis, FRICS
- Ioannis Ganos, MRICS
- Vassilis Konistis, MRICS
- Pavlos Zeccos, MRICS
- Thomas Ziogas, MRICS

We specially thank for their contribution the Bank of Greece and our member Mr Dimitri Dimitriou, MRICS.

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RICS professional guidance

International standards

Globally recognised high level valuation principles and definitions are now embodied in the International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC). RICS has long been a supporter of the development of such universal standards, and not only fully embraces them itself, but also proactively supports their adoption by others around the world.

RICS Valuation – Professional Standards 2014, commonly referred to as the Red Book, formally recognises and adopts the IVS by requiring members to follow them. It also complements the IVS by providing detailed guidance and specific requirements concerning their practical implementation.

Member and firm conduct is underpinned through the application of the Rules of Conduct and the Global Professional and Ethical Standards and is assured through a well-established system of regulation. The whole ensures the positioning of RICS members and regulated firms as the leading global providers of IVS-compliant valuations.

RICS guidance notes

This is a guidance note. Where recommendations are made for specific professional tasks, these are intended to represent 'best practice', i.e. recommendations that in the opinion of RICS meet a high standard of professional competence.

Although members are not required to follow the recommendations contained in the guidance note, they should take into account the following points.

When an allegation of professional negligence is made against a member, a court or tribunal may take account of the contents of any relevant guidance notes published by RICS in deciding whether or not the member had acted with reasonable competence.

In the opinion of RICS, a member conforming to the practices recommended in this guidance note should have at least a partial defence to an allegation of negligence if they have followed those practices. However, members have the responsibility of deciding when it is inappropriate to follow the guidance.

It is for each member to decide on the appropriate procedure to follow in any professional task. However, where members do not comply with the practice recommended in this guidance note, they should do so

only for good reason. In the event of a legal dispute, a court or tribunal may require them to explain why they decided not to adopt the recommended practice.

Also, if members have not followed this guidance, and their actions are questioned in an RICS disciplinary case, they will be asked to explain the actions they did take and this may be taken into account by the Panel.

In some cases there may be existing national standards that may take precedence over this guidance note. National standards can be defined as professional standards that are either prescribed in law or federal/local legislation, or developed in collaboration with other relevant bodies.

In addition, guidance notes are relevant to professional competence in that each member should be up to date and should have knowledge of guidance notes within a reasonable time of their coming into effect.

This guidance note is believed to reflect case law and legislation applicable at its date of publication. It is the member's responsibility to establish if any changes in case law or legislation after the publication date have an impact on the guidance or information in this document.

Document status defined

RICS produces a range of professional standards, guidance and information documents. These have been defined in the table below. This document is a guidance note.

Publications status

Type of document	Definition	Status
Standard		
International standard	An international high-level principle-based standard developed in collaboration with other relevant bodies.	Mandatory
Professional statement		
RICS professional statement	A document that provides members with mandatory requirements or a rule that a member or firm is expected to adhere to. This term also encompasses practice statements, Red Book professional standards, global valuation practice statements, regulatory rules, RICS Rules of Conduct and government codes of practice.	Mandatory
Guidance and information		
RICS code of practice	Document approved by RICS, and endorsed by another professional body/stakeholder, that provides users with recommendations for accepted good practice as followed by conscientious practitioners.	Mandatory or recommended good practice (will be confirmed in the document itself). Usual principles apply in cases of negligence if best practice is not followed.
RICS guidance note (GN)	Document that provides users with recommendations or approach for accepted good practice as followed by competent and conscientious practitioners.	Recommended best practice. Usual principles apply in cases of negligence if best practice is not followed.
RICS information paper (IP)	Practice-based information that provides users with the latest technical information, knowledge or common findings from regulatory reviews.	Information and/or recommended best practice. Usual principles apply in cases of negligence if technical information is known in the market.
RICS insights	Issues-based input that provides users with the latest information. This term encompasses thought leadership papers, market updates, topical items of interest, white papers, futures, reports and news alerts.	Information only.
RICS economic/ market reports	A document usually based on a survey of members, or a document highlighting economic trends.	Information only.
RICS consumer guides	A document designed solely for use by consumers, providing some limited technical advice.	Information only.
Research	An independent peer-reviewed arm's-length research document designed to inform members, market professionals, end users and other stakeholders.	Information only.

1 Introduction

1.1 Context: relationship to Red Book

Relevant procedures are in place in Greece to have the valuation profession regulated by law in the near future. This guidance note is intended to respond to the new regulatory regime introduced by the government in 2013, with the aim of clarifying potential 'grey areas' between the *RICS Valuation – Professional Standards January 2014* (the Red Book) and Greek law. This is to provide a better understanding and more transparency to members and the market concerning guidance about local peculiarities that will become a Greek standard. This affects key stakeholders such as auditors, lenders, valuers, governments and courts.

1.2 Content overview

This guidance note is designed to assist with practical application of the *RICS Valuation – Professional Standards January 2014* in Greece. The guidance note sets out local statutory or regulatory requirements that are relevant when

undertaking valuations (including the assessment of market value) of assets falling within, or affected by, one of the following categories:

- Foreshore
- Archaeology
- Key money
- Residual building coefficient
- Unauthorised structures
- Valuation certainty and uncertainty.

1.3 Effective date

This guidance note is effective from the date of publication in June 2016.

1.4 Definitions

Definitions in this document that relate to Greek law are binding.

2 Foreshore: Effects of the foreshore and beach delimitation regime on seaside plots

2.1 Definitions

- 'Foreshore' is the zone of land wetted by the highest, however unexceptional, sea wave run up.
- 'Seashore' is the zone of land extending beyond the foreshore, determined by the Committee of Seashore Plotting, after proper justification, in order to facilitate communication between land and sea, and vice versa, as well as to protect the foreshore environmentally.
- 'Old foreshore' is the zone of land that is derived from the shifting of the foreshore towards the sea, due to alluvion (formation of new land by sediment deposits) or constructions, and is defined by the modern foreshore limit and the limit of the older foreshore.

2.2 The foreshore, the beach, the coast and the riparian zone constitute properties of common use owned by the Greek State, which is responsible for their protection and management. The access to these zones has to be free and without any obstacles. The 'old foreshore' constitutes private property of the Greek State.

2.3 The main criterion for any valuation is the thorough investigation that should be carried out as regards the legality of any buildings, along with a confirmation of the building terms by the relevant urban planning authority. Moreover, the concession of the use of the foreshore, shared beach, shore, shared riparian zone, bottom and water section of a sea, lake or river is granted for the purpose of their economic development or the execution of projects, and such concession must be included in any valuation calculation.

2.4 Other aspects that could affect value and should be considered include:

- accessibility, where the property is only accessible by sea
- soil criteria related to the beach and the riparian soil composition
- infrastructure and utility networks and
- concession terms with or without consideration.

3 Archaeology

3.1 Restrictions may be imposed by State Archaeological Departments and thus may affect the use of a property and consequently have an impact on such property's value.

3.2 Greek land, and especially areas with both previous and/or existing archaeological discoveries, is particularly sensitive in this respect. Such areas can be established ruins or possible areas for excavation. In all cases a valuer should ask to be provided with any relevant documentation available. Thorough research or relevant assumptions are required to be made when valuing a property located near or within a listed archaeological zone.

3.3 Note that there are areas in Greece where the archaeological status is disputed. In such cases, an application for a building permit may be subject to the assistance and/or co-operation of the relevant archaeological department. This, however, may have unforeseeable consequences on the development of the property. It should be pointed out to the client – and stated in the terms of engagement if known at that time – that the valuation may include relevant conditions and comments that limit the valuer's liability.

4 Key money

4.1 'Key money' or 'intangible value' reflects the pecuniary consideration paid as a lump sum by the tenant to the lessor upon execution of the lease agreement involving a property with particular trading characteristics, as compensation for the potential benefits that may accrue to the tenant from the future use of such a lease.

4.2 Key money is essentially a discounted lump sum payment that is determined following an agreement between the contracting parties and reflects any anticipated additional future cash flows that may be generated by the lease as a result of its highly popular commercial location.

4.3 In addition to location, the level of the key money amount also depends on current market supply and demand conditions.

4.4 Key money is usually calculated as a value per square metre of the property's ground floor or of the property's part with the highest trading potential. It is non-returnable money, which is a one-off payment. Under the current economic situation in Greece it is very difficult for key money to be paid.

5 Residual building coefficient (RBC)

5.1 The 'residual building coefficient' is the difference between the maximum permitted buildable area (as specified by the applicable building coefficient and terms), and the existing built area of a plot.

5.2 In determining the value of the residual building coefficient (that is, the potential value of the right to erect additional buildings and develop a property), the relevant

business risk should be investigated and measured in terms of both the coefficient's implementation feasibility (due to urban planning, legal, environmental or other restrictions or limitations of any nature) and its technical feasibility. The existing buildings' state of repair should be taken into account as well.

6 Unauthorised structures

6.1 Critical points that affect valuations according to Greek law require that these are made clear to valuers by explaining what the law exactly defines.

6.2 Following publication of Law 4178/2013, any transfer or establishment of a right on a real property where an unauthorised structure has been constructed, or which has been subject to unauthorised change in use, is forbidden and absolutely invalid. Should an inspection reveal that the property includes structures that have not been built in accordance with the relevant statutory or regulatory requirements, or that it includes unauthorised structures that have not been included under relevant legalisation, the valuer should request from the client documents showing the property's compliance with the current law, concerning the declaration of any illegal use or structure.

6.3 Under both the current law (4178/2013) and the previous one, the owner of a property must declare to the relevant planning authority – via his/her engineer – any illegal structures or use of the property. Following this, the engineer must undertake a detailed inspection of the property, and provide the planning authority with new floor plans showing any illegal structure or use of the property. Following the payment of the relevant fee (when applicable) to the Greek Government by the owner, the owner will be provided by the engineer with a certificate confirming that the property complies with the legislation, and that the property can therefore be transferred. This 'Legality Certificate' is compulsory, and the notary must refer to it in order for the transaction to be completed.

6.4 Therefore, when properties include unauthorised sections or uses, the valuer should take such sections or uses into consideration when calculating market value. The fee applied (as it is calculated by a certified engineer) should be stated in the valuation report, along with a statement by the valuer as to whether or not it affects the market value of the property, according to the valuer's judgment. Law 4178/2013 classifies urban offences according to the significance of the unauthorised structure and the construction date. The relevant 6 categories are numbered in the law as 1 to 6. The summaries provided below illustrate the type of unauthorised structure covered by each category:

- Category 1: Old unauthorised structures in buildings of solely residential use existing prior to 9 June 1975 are definitively exempted from demolition on payment of the relevant fee.
- Category 2: Old unauthorised structures existing prior to 1 January 1983 are definitively exempted from demolition on payment of a fee and a unified special penalty.

- Category 3: Small, unauthorised, structure-building offences are definitively exempted from demolition on payment of a relevant fee.
- Category 4: Any unauthorised structures or uses not exceeding 40% of the buildable area and coverage ratio and/or 20% of the elevation specified in the building permit shall be subject to the provisions of the law and the imposition of penalties shall be suspended for 30 years on payment of a fee and a unified special penalty. The said rates include all unauthorised buildings on the property that have come under previous laws on unauthorised structures.
- Category 5: All other unauthorised structures and unauthorised changes in use that are not included in the categories above shall come under the provisions of the law and the imposition of penalties shall be suspended for 30 years on payment of a fee and a unified special penalty. In addition, a building coefficient equal to the remaining buildable area may be electronically exchanged through the 'Greek Land Bank'.
- Category 6: This category includes unauthorised changes in various other types of buildings such as listed buildings, buildings in traditional settlements, different arrangement of apartments on a floor following modification of mechanical installations, etc.

6.5 A range of unauthorised structures or unauthorised changes in use are exempted from the provisions of Law 4178/2013. These may include unauthorised structures located in approved public areas of a town or settlement, areas allocated for public use, roadside galleries, public land plots, forests, reforestation areas, the foreshore, flumes, beach zones, archaeological sites, etc. subject to any exemptions stipulated in the law.

6.6 As regards properties for which the procedure for their settlement, legalisation or final exemption from demolition has not been completed after the expiry of the application period and/or properties not included in the provisions of the law, it is recommended to carry out a new investigation and valuation in order to calculate any cost for the erection and maintenance of unauthorised structures or their legal reinstatement cost.

7 Valuation certainty and uncertainty

7.1 In the Red Book, VPGA 9 provides guidance on valuation in markets susceptible to change, where it is important to convey clearly to valuation users the degree of certainty or uncertainty, and associated risks, attached to individual valuations. VPGA 9 makes it clear in paragraph 1.3 that:

‘For some purposes it is often helpful, if not essential, to the understanding of the valuation to include supporting evidence, an explanation of the approach and the market context.’

Furthermore:

‘valuers should view the provision of such supporting advice as a means to provide the user with increased confidence in the valuation’.

Thus RICS members should provide additional explanation and commentary in their reports wherever appropriate. This includes the situations described in paragraphs 2.5 (Liquidity and market activity) and 2.6 (Market volatility) of VPGA 9.



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers valuation and commercial property practice; property finance and investment; project management, planning & development; quantity surveying as well as facilities management.

From environmental assessments to real estate transactions, if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres in the world, we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all. We are proud of our reputation and we sustain it, so clients who work with an RICS professional can have confidence in the quality and ethics of the services provided.

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