



## Securities and Exchange Commission of Pakistan Internal & External Communications Unit

### ***PRESS RELEASE*** ***FOR IMMEDIATE RELEASE***

#### **SECP IMPLEMENTS INTERNATIONAL VALUATION STANDARDS FOR REITS**

**ISLAMABAD – JULY 2, 2008:** Pursuant to launching the REITs product in February 2008, SECP has taken major steps to promote the implementation of international best practices in the field of valuation. It is pertinent to mention that real estate valuation (i.e. the lack of transparency) is a major bottleneck in the real estate sector in Pakistan. The SECP has built a strong REIT implementation team which is multi-disciplinary and includes a civil engineer and a real estate broker.

To study REIT licensing and evaluation, SECP selected Malaysia as a relevant jurisdiction. Five officers of the Commission were sent on a study tour to Malaysia in June to understand the problems and issues faced by the Securities Commission Malaysia in the monitoring and regulation of Malaysian REITs. A number of meetings were held with the Malaysian regulator and with the Institute of Surveyors to get a first hand knowledge of the REIT market in Malaysia. A second group of five officers is leaving for Malaysia on Friday to visit valuers and REIT management companies operating in Malaysia. Both the visits have been funded by a World Bank grant. Under the same World Bank grant, Mr. Elvin Fernandez was invited to Pakistan to advise on the implementation of international best practices in the field of Valuation.

Mr. Fernandez is a qualified property Valuer with over 25 years of work experience. He is a Councilor and Fellow of the Institution of Surveyors Malaysia, a Fellow of the Royal Institution of Chartered Surveyors, United Kingdom and an Executive Committee Member of the Private Valuers Association in Malaysia. He is also a Member of the Investigating Tribunal Panel of the BAR Council Malaysia and a Committee Member of the Licensing Executives Society of Malaysia. He has written and presented about 141 papers on property related topics at different national and international seminars and conferences.

Mr. Fernandez is presently the Chairman of International Valuations Standards Committee (IVSC) - an organization responsible for coming up with the world wide standards for Property Valuations. The REIT Regulations of Pakistan have been prepared after consulting the IVSC standards.

The International Valuation Standards Committee (IVSC) was founded in 1981. The IVSC standards are formulated and published in consultation with International Accounting Standards Board and the Basel Committee on Banking Supervision. The SECP has also applied for the membership of IVSC. The SECP is presently an Associate Member of the Asian Public Real Estate Association (APREA) and Mr. Salman Ali Shaikh, Commissioner SECP is a member of the Governing Board of APREA.

During his week long stay in Pakistan, Mr. Fernandez met and trained SECP officials, visited large real estate developments and reviewed Pakistan's fiscal and legal environment. He also met the leading accountants of Pakistan with regard to the implementation of IVSC standards by the accounting profession. Extensive meetings were also arranged with the leading valuation firms of Pakistan. He was of the view that the present valuation methodologies used in Pakistan are primitive and need to be brought to international standards at the earliest in order to conduct fair market valuations particularly in case of REITs. He was of the view that SECP (in collaboration with SBP) should assist the valuation profession to create an institute which would license valuers, have a system of examinations, implement international best practices and standards.

The SECP has received two formal applications for REITs in addition to several queries from promising REIT applicants. All of the above have been for developmental REITs. Throughout Pakistan buildings with transparent leases are a rare phenomenon. The previous tax regime of 5% as a full and final payment was creating a more transparent leasing environment in the country. However, under the Finance Act 2008, the tax load on the rental income from real estate has been greatly enhanced. It is feared that this will greatly reduce the level of transparency in lease transactions. Consequently, it is felt that for the coming fiscal year there will only be interest shown in developmental REITs. In this context, SECP has been in active discussions with members of the Economic Advisory Council on the effective use of REITs as a tool to reduce the deficit of large public sector organizations. Large tracts of land in prime urban locations could be used to raise billions of rupees for the GOP and public sector corporations.

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