Panel 4
Valuation for CB purposes – New developments

24rd Central European Covered Bond Conference

Warsaw
9 / 10 June 2022

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vdp Die deutschen Pfandbriefbanken

The Panel: Valuation for CB purposes – New developments

Who?

- William Groen, Senior Surveyor, Berlin Hyp, Amsterdam
- Andrzej Kulik, CRO, mBank Hipoteczny, Warsaw
- Ebbe Røjgaard, First Vice President, Danske Bank, Copenhagen
- Annett Wünsche, Department Head Valuation, vdp, Berlin

What?

- Digitalisation: regulatory environment, use of statistical methods (opportunities, limits), role of the valuer
- ESG factors: regulatory environment, differentiation between consideration in value vs. risk management with a special focus on energy efficiency of buildings and climate risks, data availability

Directive (EU) 2019/2162 on the Issue of Covered Bonds and Covered Bond Public Supervision

Article 3 - Definitions

(10) ‘market value’ means, for the purposes of immovable property, market value as defined in point (76) of Article 4(1) of Regulation (EU) No 575/2013;

(11) ‘mortgage lending value’ means, for the purposes of immovable property, the mortgage lending value as defined in point (74) of Article 4(1) of Regulation (EU) No 575/2013;

'market value' means, for the purposes of immovable property, the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without being under compulsion

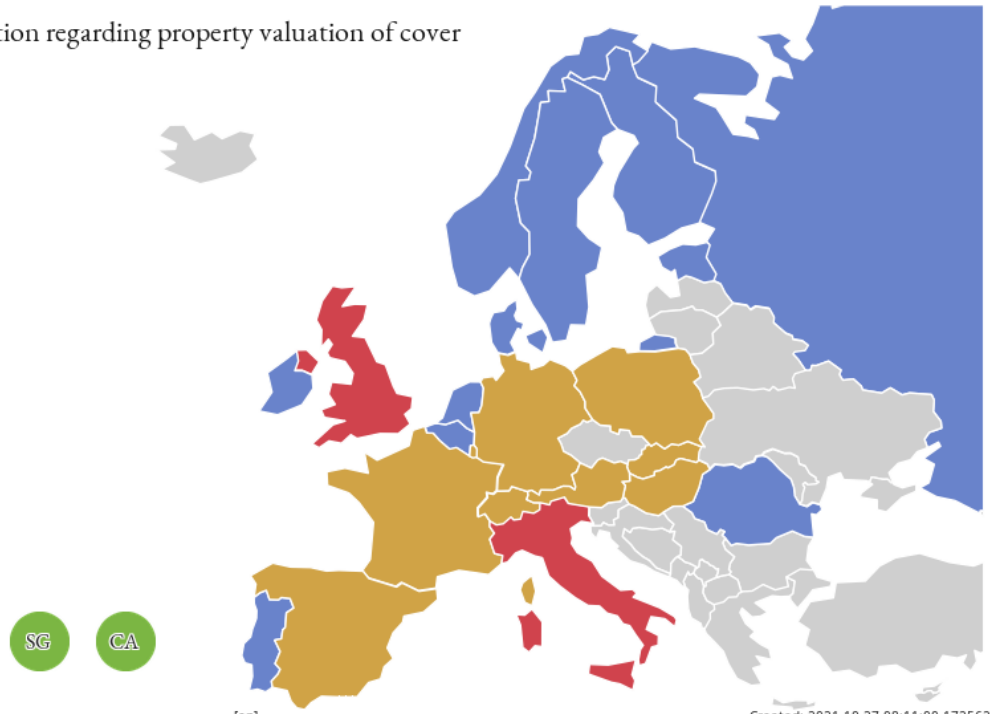
'mortgage lending value' means the value of immovable property as determined by a prudent assessment of the future marketability of the property taking into account long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property

vdp - Covered Bonds Legislation Round Table

IV. Valuation of the Mortgaged Real Estate & LTV Criteria

9.) (A) What value is the basis in CB legislation regarding property valuation of cover assets?

- 4 Mortgage lending value
- 3 Market value
- 2 No explicit provision in CB legislation
- 1 Other



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Directive (EU) 2019/2162 on the Issue of Covered Bonds and Covered Bond Public Supervision

Article 6 - Eligible cover assets

5. Member States shall lay down rules on the methodology and process for the valuation of physical collateral assets which secure assets as referred to in points (a) and (b) of paragraph 1. Those rules shall ensure at least the following:

(a) for each physical collateral asset, that a current valuation at or at less than market value or mortgage lending value exists at the moment of inclusion of the cover asset in the cover pool;
(b) that the valuation is carried out by a valuer who possesses the necessary qualifications, ability and experience; and
(c) that the valuer is independent from the credit decision process, does not take into account speculative elements in the assessment of the value of the physical collateral asset, and documents the value of the physical collateral asset in a transparent and clear manner.

Digitalisation

EBA/GL/2020/06 - Guidelines on loan origination and monitoring

7.4 Criteria for advanced statistical models for valuation

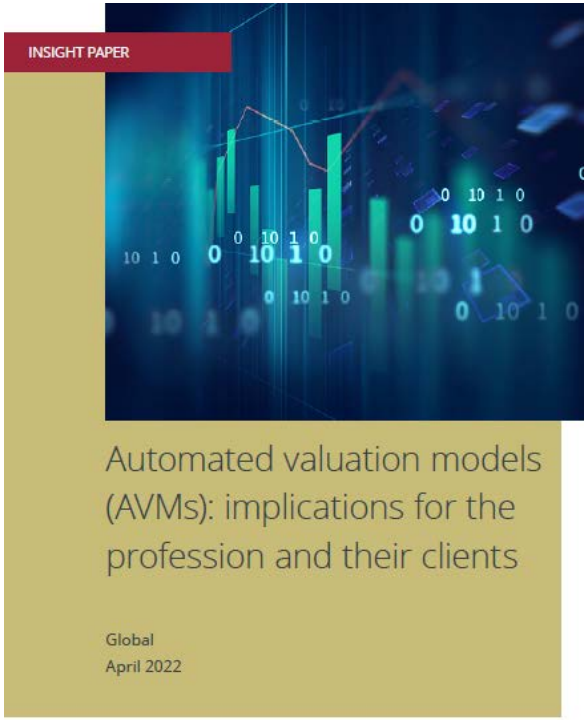
236. Institutions should set out, in their policies and procedures, the criteria for using advanced statistical models for the purposes of valuation, revaluation and monitoring the values of collateral. […]

237. Institutions should ensure that the advanced statistical models used are:
a. property and location specific at a sufficient level of granularity (e.g. postcode for immovable property collateral);
b. valid and accurate, and subject to robust and regular backtesting against the actual observed transaction prices;
c. based on a sufficiently large and representative sample, based on observed transaction prices;
d. based on up-to-date data of high quality.

238. When using these advanced statistical models, institutions are ultimately responsible for the appropriateness and performance of the models, and the valuer remains responsible for the valuation that is made using an advanced statistical model. Institutions should understand their methodology, input data and assumptions of the models used. Institutions should ensure that the documentation of models is up to date.

239. Institutions should have adequate IT processes, systems and capabilities in place and sufficient and accurate data for the purposes of any statistical model-based valuation or revaluation of collateral.

Digitalisation



“As we will see, AVMs are well established in many jurisdictions for many asset types in addition to residential property. Like so many advances in data and technology, AVMs present both opportunities and risks for all stakeholders who produce or rely on the concept of ‘value’.”

Discussion

- Digitalisation – its chances and limits for the valuation process (commercial vs. residential properties)
- Feasibility of fully automated valuation
- Role of the valuer

ESG Factors – European Regulation (Selection)

- EU Taxonomy
  - Classification of economic activities economic activities and determination when these are environmentally sustainable
  - Guideline for investors regarding environmental sustainability when financing economic activities

- EBA Report on management and supervision of ESG risks for credit institutions and investment firms
- ECB-Guide on climate-related and environmental risks
- EBA-Guidelines on Loan Origination and Monitoring

- The Energy Performance of Buildings Directive (EPBD) – revision 2022

Weather and Climate Related Hazards

Flood
Sturm surge

Storm
Tornado

Draught,
low water

Sea level rise

Hail

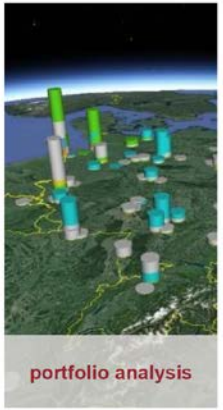
Heavy rain

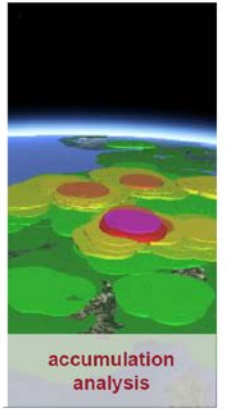
Heat

Latitude	50,715704	Longitude	7,130522
Elevation (model)	54,00 m	Protection[1] Surge/Storm Surge	- / -
K.A.R.L.®-Version	K.A.R.L.-08-2019.2	Total Value (EUR)	N/A

Peril	Classification	Risk[2] (%p.a.)	Return Period[3]	PML[4] (%)
Volcanism		0,0019	-	-
Earthquake		0,0155	475	0,57
Tsunami		0,0000	200	0,00
Surge		0,0015	200	0,00
Storm Surge		0,0000	200	0,00
Storm		0,0003	200	0,03
Tornado		0,0145	-	-
Hail		0,0006	200	0,00
Heavy Rain[5]		0,0005	200	0,00

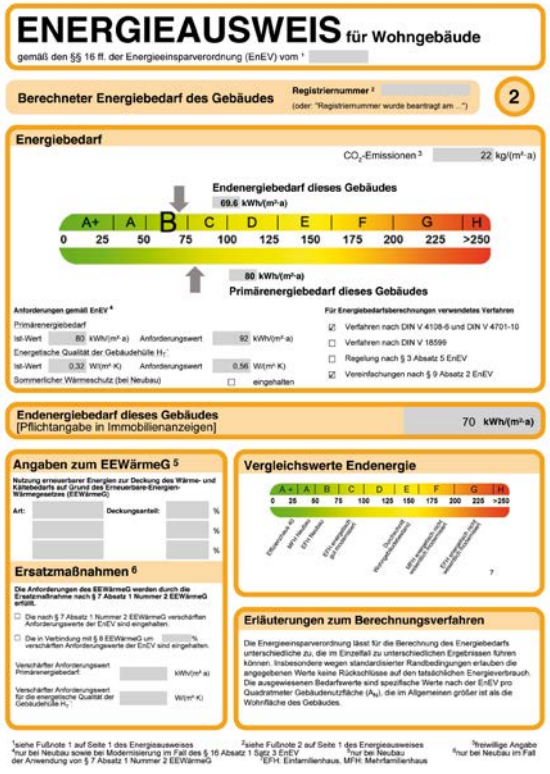
single location analysis


portfolio analysis


accumulation analysis


scenario analysis

Energy Performance of Buildings



ENERGIEAUSWEIS für Wohngebäude

gemäß den §§ 16 ff. der Energieeinsparverordnung (EnEV) vom [1]

Berechneter Energiebedarf des Gebäudes — Registriernummer [2] — 2

Energiebedarf

CO_2-Emissionen [3] 22 kg/(m²·a)

Endenergiebedarf dieses Gebäudes: 69,6 kWh/(m²·a)

A+ | A | B | C | D | E | F | G | H

0 25 50 75 100 125 150 175 200 225 >250

80 kWh/(m²·a) Primärenergiebedarf dieses Gebäudes

Anforderungen gemäß EnEV [4]

Primärenergiebedarf: Ist-Wert 80 kWh/(m²·a) Anforderungswert 92 kWh/(m²·a)

Energetische Qualität der Gebäudehülle H_T': Ist-Wert 0,32 W/(m²·K) Anforderungswert 0,56 W/(m²·K)

Sommerlicher Wärmeschutz (bei Neubau) ☐ eingehalten

Für Energiebedarfsberechnungen verwendetes Verfahren

☑ Verfahren nach DIN V 4108-6 und DIN V 4701-10

☐ Verfahren nach DIN V 18599

☐ Regelung nach § 3 Absatz 5 EnEV

☑ Vereinfachungen nach § 9 Absatz 2 EnEV

Endenergiebedarf dieses Gebäudes [Pflichtangabe in Immobilienanzeigen] 70 kWh/(m²·a)

Angaben zum EEWärmeG [5]

Nutzung erneuerbarer Energien zur Deckung des Wärme- und Kältebedarfs auf Grund des Erneuerbare-Energien-Wärmegesetzes (EEWärmeG)

Art: Deckungsanteil: %

Ersatzmaßnahmen [6]

Die Anforderungen des EEWärmeG werden durch die Ersatzmaßnahme nach § 7 Absatz 1 Nummer 2 EEWärmeG erfüllt.

☐ Die nach § 7 Absatz 1 Nummer 2 EEWärmeG verschärften Anforderungswerte der EnEV sind eingehalten.

☐ Die in Verbindung mit § 8 EEWärmeG um … % verschärften Anforderungswerte der EnEV sind eingehalten.

Verschärfter Anforderungswert Primärenergiebedarf: kWh/(m²·a)

Verschärfter Anforderungswert für die energetische Qualität der Gebäudehülle H_T': W/(m²·K)

Vergleichswerte Endenergie

A+ | A | B | C | D | E | F | G | H

0 25 50 75 100 125 150 175 200 225 >250

EFH Neubau nach EnEV; EFH Bestand gut modernisiert; Durchschnitt Wohngebäudebestand; MFH Bestand nach EnEV; EFH Bestand nicht modernisiert

Erläuterungen zum Berechnungsverfahren

Die Energieeinsparverordnung lässt für die Berechnung des Energiebedarfs unterschiedliche zu, die im Einzelfall zu unterschiedlichen Ergebnissen führen können. Insbesondere wegen standardisierter Randbedingungen erlauben die angegebenen Werte keine Rückschlüsse auf den tatsächlichen Energieverbrauch. Die ausgewiesenen Bedarfswerte sind spezifische Werte nach der EnEV pro Quadratmeter Gebäudenutzfläche (A_N), die im Allgemeinen größer ist als die Wohnfläche des Gebäudes.

[1] siehe Fußnote 1 auf Seite 1 des Energieausweises [2] siehe Fußnote 2 auf Seite 1 des Energieausweises [3] freiwillige Angabe

[4] nur bei Neubau sowie bei Modernisierung im Fall des § 16 Absatz 1 Satz 3 EnEV [5] nur bei Neubau

[6] nur bei Neubau im Fall der Anwendung von § 7 Absatz 1 Nummer 2 EEWärmeG EFH: Einfamilienhaus, MFH: Mehrfamilienhaus

Source: BBSR-Online-Publikation Nr. 04/2019 (bund.de)

Discussion

- Importance of the ESG-issue to investors and private buyers
- Impact on property prices
- Reflection of ESG in the value
- Role of the valuer – valuation and risk management

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