

A white silhouette of a world skyline against a light purple background. The skyline includes various landmarks such as the Statue of Liberty, the Eiffel Tower, the London Eye, the Brandenburg Gate, the Burj Khalifa, and the Petronas Towers.

The Importance of International Standards to Drive Transparency, Market Efficiency and Attract Investment into Qatar's Construction and Real Estate Market

March 2017

RICS is the world's leading professional body that promotes and enforces standards in **land, real estate, construction** and **infrastructure**

Our name promises the consistent delivery of professional standards - bringing confidence to the markets we serve

Professionalism

- High entry standards
- Continuing Professional Development

Regulation

- Rules of Conduct
- 10,000 firms Regulated by RICS

Ethics

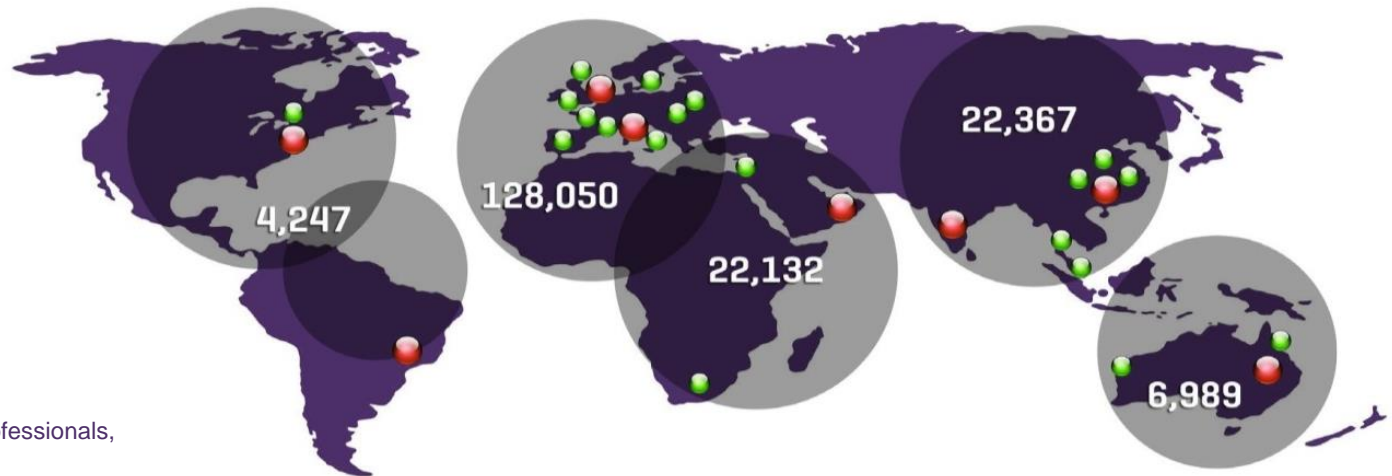
- Ethics are assessed on entry to RICS
- Mandatory ethics test every 3 year

Client confidence

Qualified and Regulated Professionals RICS®

Our professionals provide holistic support across major infrastructure and construction projects. RICS regulation ensures they are delivering the highest standards and ethics in everything they do, giving greater assurance to clients and markets globally.

183,000
professionals
worldwide



Figures include: chartered professionals, trainees and students

RICS chartered surveyors are highly trained professionals and experts governed by the RICS rules, quality assurance standards and codes of conduct.



RICS sets standards for professional chartered surveyors



Specialist Chartered Surveyors

Valuation	Building Surveying	Geomatics
Dispute Resolution	Rural	Environment
Management Consultancy	QS construction	Planning & Development
Valuation of Businesses & Intangible Assets	Minerals & Waste	Arts & Antiques
Building Surveying	Building Control	Residential
Taxation Allowances	Geomatics	Research
Commercial	QS construction	Project Management
Facilities Management	Property Finance & Investment	Built Infrastructure
Building Control	Environment	





Why is land, real estate, construction and infrastructure important to society?

- ❖ Habitation and a home for industry and commerce
- ❖ Store of wealth for investors and occupiers
- ❖ Roughly 70% of global wealth is in land and property
- ❖ Construction uses approximately 60% of all utilised materials
- ❖ 60% of energy used on heating/chilling and servicing buildings
- ❖ Buildings emit about 40% of carbon emissions
- ❖ Employs around 10% of global workforce



Why do we need Consistency and Standards?



Why do we need International Standards?



“As a consequence of globalisation, market efficiency requires market consistency, transparency and comparability. International standards are the backbone”



Change drives the need for standards 'Talking the Same Language!'



Governments

Investors

Employers

Professionals

Regulators

Public

Better Standards = Increased Transparency

Fundamental Standards Impacting on the Real Estate Sector

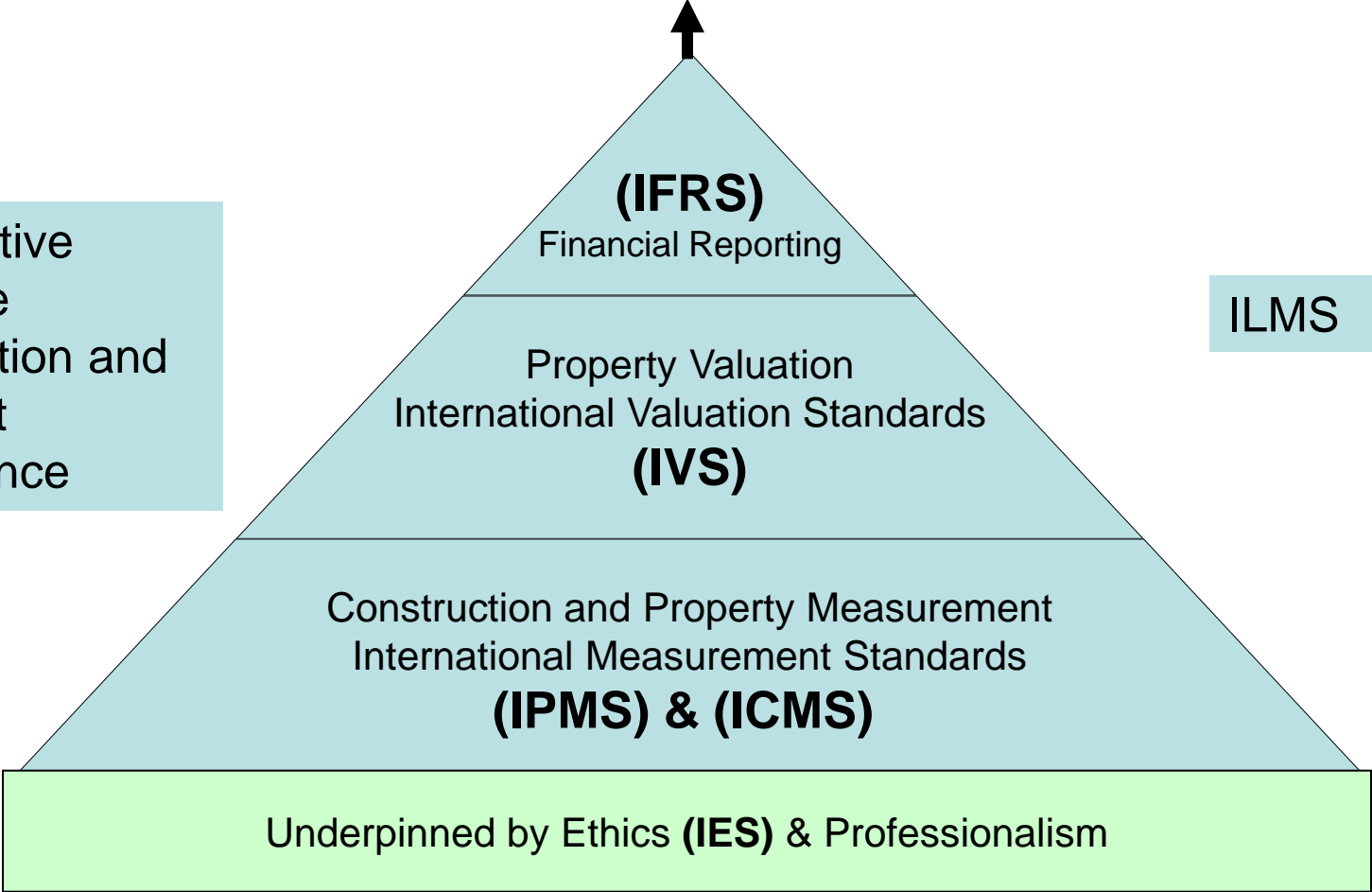


Transparency → Confidence → Sustainable Investment



Alternative
Dispute
Resolution and
Conflict
Avoidance

ILMS



Global Real Estate Transparency Index 2016



Key Changes

Canada consolidates position due to improving performance measurement indices

Germany moves to 'Highly Transparent', boosted by listed vehicles

Poland tracking towards 'Highly Transparent'

Japan jumps 7 places on back of market fundamentals data

Taiwan moves to 'Transparent' as occupier services and market tracking improve

Slovakia and **Romania** inch into 'Transparent'

Real Estate Transparency Tiers

High	1. United Kingdom	2. Australia
	3. Canada	4. United States
	5. France	6. New Zealand
	7. Netherlands	8. Ireland
	9. Germany	10. Finland
	Transparent	11. Singapore
13. Poland		14. Switzerland
15. Hong Kong		16. Belgium
17. Denmark		18. Norway
19. Japan		20. Czech Republic
21. Italy		22. Spain
23. Taiwan		24. Austria
25. South Africa		26. Hungary
27. Portugal		28. Malaysia
29. Slovakia		30. Romania

What can you expect from the different Transparency tiers?

- Anglosphere and 'core' Europe
- High liquidity - 75% of global real estate investment
- 1/2 of global corporate HQs
- Taking transparency to next level – to 'Hyper-Transparency'?
- Technology driving advancement
- Beneficial ownership disclosure in the spotlight

- Europe and 'high-income' Asia
- High investment intensity – 20% of global real estate investment
- 1/3 of global corporate HQs
- Strong regulation, governance and transaction processes
- Progress in performance measurement and market fundamentals required

Global Real Estate Transparency Index 2016



Mexico and China Tier 1 Cities on the cusp of 'Transparent'

India improves on back of regulatory reforms

Progress in **South Korea**, but outlier in 'Semi-Transparent'

Botswana is top improver in Sub-Saharan Africa

Slovenia, Serbia and Bulgaria are top global improvers and move into 'Semi-Transparent'

Saudi Arabia and Egypt nudge into 'Semi-Transparent'

Semi	31. Israel	32. Mexico
	33. China Tier 1 Cities	34. Brazil Tier 1 Cities
	35. Luxembourg	36. India Tier 1 Cities
	37. Greece	38. Thailand
	39. India Tier 2 Cities	40. South Korea
	41. Botswana	42. Russia Tier 1 Cities
	43. Brazil Tier 2 Cities	44. Turkey
	45. Indonesia	46. Philippines
	47. Croatia	48. Dubai
	49. China Tier 1.5 Cities	50. Bulgaria
	51. Slovenia	52. India Tier 3 Cities
	53. Serbia	54. Russia Tier 2 Cities
	55. China Tier 2 Cities	56. Argentina
	57. Zambia	58. Mauritius
	59. Abu Dhabi	60. Cayman Islands
	61. Kenya	62. Chile
	63. Saudi Arabia	64. Peru
65. Egypt	66. China Tier 3 Cities	
67. Bahrain		

- Dominated by large emerging markets – BRIC, MIST
- 1/4 of global corporate HQs ... and growing
- 5-10% of global real estate investment
- Very dynamic tier – most improved transparency group
- Disconnect between regulations and enforcement
- Strengthening corporate governance and market data
- Growing middle classes mobilising against corrupt practices

Global Real Estate Transparency Index 2016



Vietnam on cusp of 'Semi-Transparent'

Iran joins GRETI in 'Low Transparency'

Nigeria and Ghana move from 'Opaque' into 'Low Transparency'

South Asia's first REIT pushes Pakistan into 'Low Transparency'

Low

68. Vietnam	69. Sri Lanka
70. Macau	71. Morocco
72. Uruguay	73. Kuwait
74. Qatar	75. Ukraine
76. Puerto Rico	77. Iran
78. Russia Tier 3 Cities	79. Jordan
80. Rwanda	81. Costa Rica
82. Bahamas	83. Nigeria
84. Ecuador	85. Ghana
86. Colombia	87. Kazakhstan
88. Pakistan	

- Emerging targets for corporates in Africa, Asia and South America
- Predominantly 'development' markets
- Regulations being introduced
- Commencement of market tracking
- Technology enabling this group to leapfrog normal evolution
- Weak corporate governance

Myanmar among top global improvers, but from a low base

Political and economic challenges weaken transparency in Lebanon, Mozambique and Venezuela

Libya, Iraq, Honduras and Guatemala struggle to maintain rudimentary transparency levels

Opaque

89. Oman	90. Uganda
91. Lebanon	92. Panama
93. Tunisia	94. Ethiopia
95. Myanmar	96. Algeria
97. Angola	98. Dominican Republic
99. Tanzania	100. Belarus
101. Mozambique	102. Guatemala
103. Iraq	104. Ivory Coast
105. Venezuela	106. Senegal
107. Djibouti	108. Honduras
109. Libya	

- Dominated by Africa and Central America
- Geopolitical and economic challenges constrain transparency progress
- Limited regulatory framework, weak corporate governance and market data almost non-existent
- Some 'Opaque' markets are regressing

IVSC – International Valuation Standards Council



- Developing and promotion of a single set of high quality global valuation standards
- Evolving comprehensive standards for valuation of built assets, plant and machinery, financial instruments and business valuation
- Helping build a globally recognised and respected valuation profession



Why has IVS become ‘the globally recognised’ standard?

- ▶ Qatar based companies have been reporting to IFRS since 1995. Why?
- ▶ Valuation - Essential for financial reporting under IFRS
- ▶ The major financial regulators and G20 identified poor valuation practice as a significant contributor to the 2008 financial crisis
- ▶ Important to prudential regulators in determining the capital adequacy of financial institutions and for financial stability
- ▶ Is an integral part of the risk management processes applied by financial institutions and other businesses
- ▶ Key ‘influencers’ now advocate adoption of IVS including the World Bank, IMF and the Securities and Exchange Committee (SEC)
- ▶ New IVS 2017 is being reflected in RICS’ ‘Red Book’ 2017 which includes valuation of intangible assets

Property Measurement Standards – “*Measurement – the DNA of Building Performance Metrics*”



IPMS: One Standard for All



IPMS INTERNATIONAL
PROPERTY
MEASUREMENT
STANDARDS
www.ipmsc.org

Today, measurement standards are not consistent



- Property is measured in many different ways around the world
- Depending on the standard used, the floor area measurement can vary dramatically...



Different measurement standards worldwide



In **Spain**, floor area measurements of outdoor **swimming pools**



In parts of the **Middle East**,



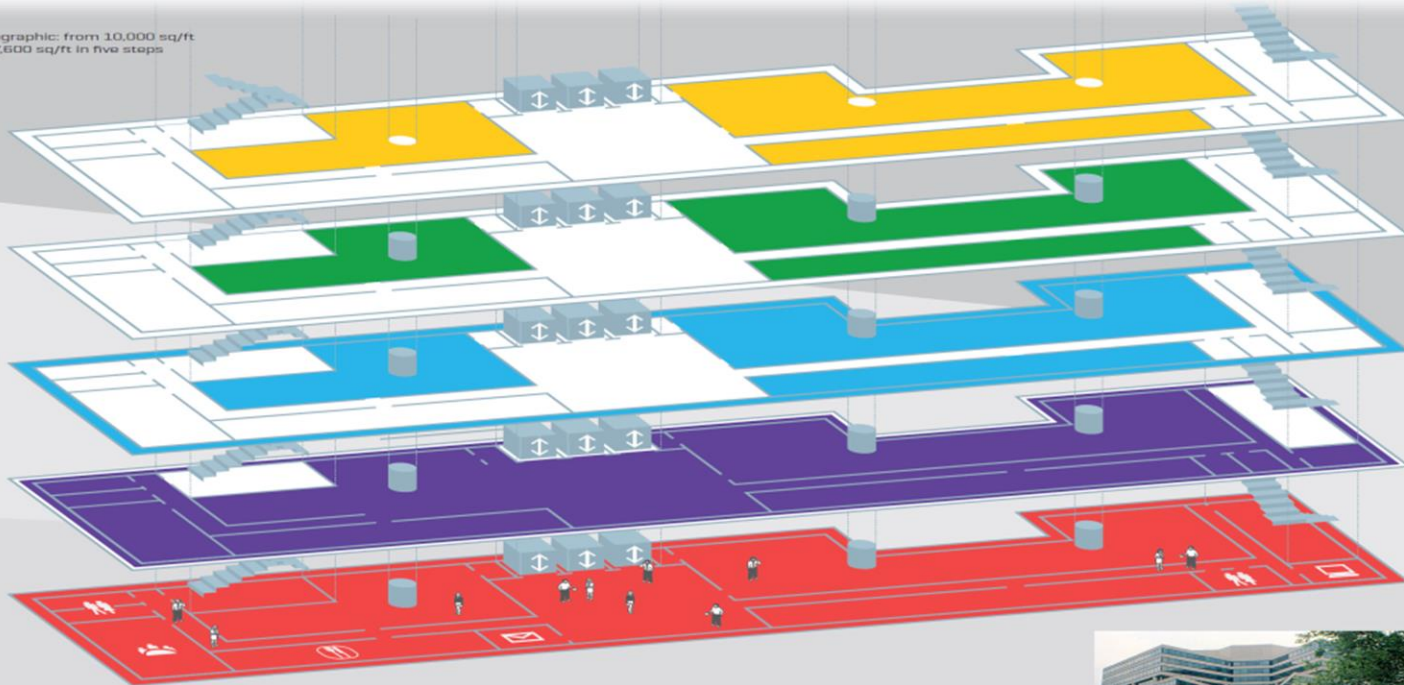
In **India**, floor measurements include off-site components as well as common areas



Inconsistent measurement standards causes up to 24% variation



Infographic: from 10,000 sq/ft to 7,600 sq/ft in five steps



VARIATION IN PROPERTY MEASUREMENT GLOBALLY



Global variations in property measurement impede overseas investment in office buildings

RICS CODE OF MEASURING PRACTICE (INTERNATIONAL)
OFFICE AREA

API MEASUREMENT CODE (AUSTRALIA)
OFFICE AREA, COLUMNS

SINGAPORE MEASURING PRACTICE (SINGAPORE)
OFFICE AREA, COLUMNS, EXT WALLS

BOMA (INTERNATIONAL)
OFFICE AREA, COMMON PARTS, EXT WALLS (50%), TOILETS, MAIN IT ROOMS, COLUMNS

HKIS CODE OF MEASURING PRACTICE (HONG KONG)
OFFICE AREA, LIFTS, STAIRS, COLUMNS, EXT WALLS, TOILETS, COMMON PARTS

MEASUREMENT VARIATIONS BETWEEN MARKETS CAUSED BY INCONSISTENT MEASUREMENT STANDARDS CAN BE AS HIGH AS:

24%

IN SOME PARTS OF THE MIDDLE EAST FLOORS NOT PRESENT BUT SUPPORTABLE BY EXISTING FOUNDATIONS CAN BE INCLUDED

IN INDIA OFF-SITE AREAS SUCH AS CAR PARKING AND COMMON AREAS CAN BE INCLUDED

IN SOME COUNTRIES, ONLY AIR CONDITIONED SPACE IS INCLUDED

LOOKING FOR AN OFFICE BUILDING FOR 100 MEMBERS OF STAFF? MEASUREMENT VARIATIONS COULD MEAN THE ACTUAL CAPACITY IS JUST 76 STAFF

BENEFITS OF IPMS:

INCREASED TRANSPARENCY OF PROPERTY DATA

CONSISTENT LANGUAGE FOR MEASUREMENT WORLDWIDE

REDUCES RISK, FACILITATING INTERNATIONAL TRADE IN PROPERTY

EASIER PROPERTY PORTFOLIO BENCHMARKING

GREATER CREDIBILITY FOR VALUATION PROFESSIONS WORLDWIDE

WWW.IPMSC.ORG

The existing challenge



- Difficult to compare like-with-like
- Lack of transparency
- Difficult to compare cross-border transactions
- Huge impact on Financial Reporting
- Can lead to intentional use of 'more favourable' measurement reporting
- A cause of many RE disputes



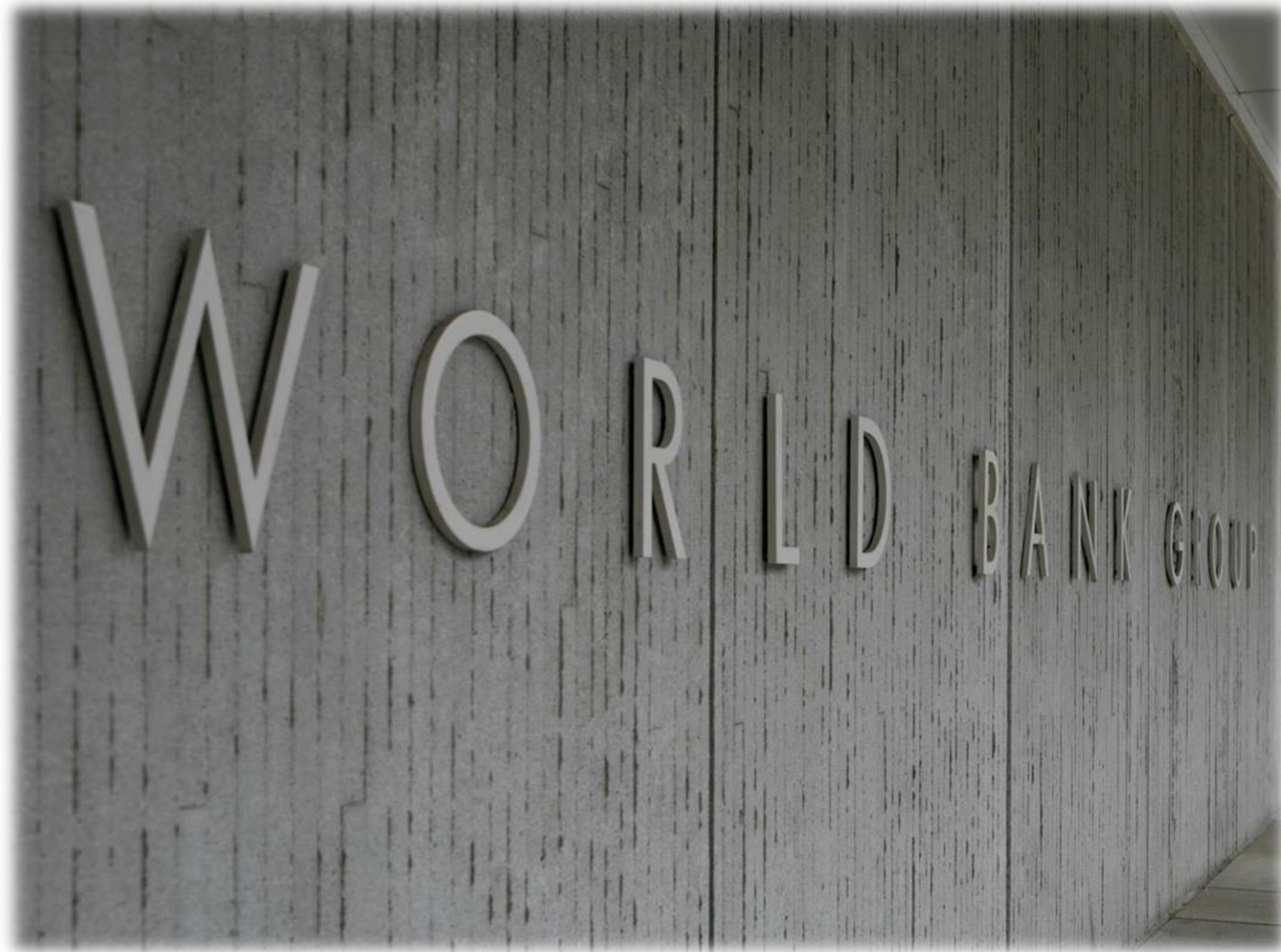
The existing challenge



- Today's property profession is international
- However, our measurement standards are localised
- The problem is compounded in the Middle East



IPMSC – International Property Measurement Standards Coalition



IPMSC – International Property Measurement Standards Coalition



- Formed May 2013 by the profession; for the profession
- Professional members in more than 150 countries
- Public interest mandate
- Board of Trustees
- Nominated Standards Setting Committee
- Guardians of IPMS

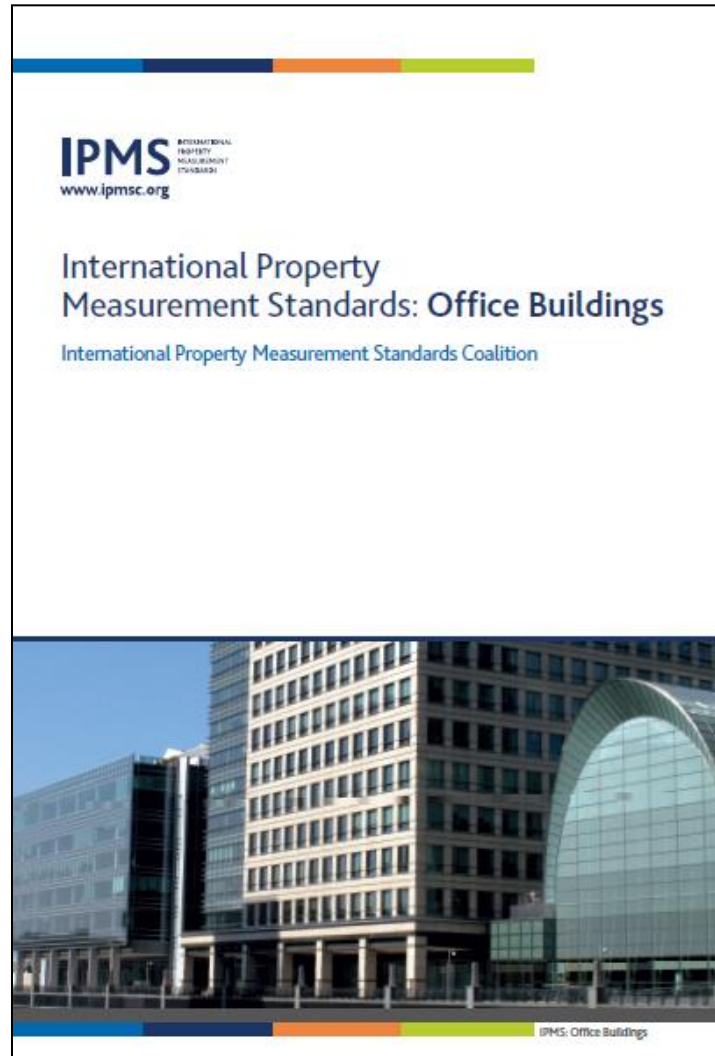


GCC Government support

Dubai, Abu Dhabi, Ajman & Bahrain committed to adopt and discussions ongoing with Kuwait, Qatar

Free Zones

- e.g. DIFC



Corporate support

- Rapidly growing number of corporate entities

More Globally

- IMF
- Several governments
- Vodafone

Key Market Benefits of IPMS



- A consistent methodology of measurement of property across the different asset classes around the world.
- A unified standard between Regulators, Developers, Investors, Tenants, Landlords, Corporate Occupiers and Valuers
- A greater public trust and investor confidence to promote Foreign Direct Investment
- Increased market stability by improving valuation and financial reporting consistency across international markets.

Key Market Benefits of IPMS



- A consistent method of building measurements to enable reporting and benchmarking performance metrics e.g. Sustainability Metrics, Build Costs/ft² or Carbon Emissions /ft² etc (COP21)
- Improve on Qatar's position of Global RE Transparency Index
- To be aligned with Governments and key global influencers that are adopting or advocating these standards

International Standards



IPMS for Offices

Launched: 24th Nov 2014



IPMS for Residential

Launched in October 2016



IPMS for Retail & Industrial

Launch Late 2016/Early 2017



International Construction
Measurement Standards



International Ethical Standards

International Construction Measurement Standards (ICMS)

International Construction Measurement Standards (ICMS) will follow IPMS to embed a core international standard for **cost measurement.**

RICS professionals will lead on delivering this standard.



International Ethics Standards (IES)

RICS is leading the way in creating **common ethical principles** for professionals across the world, improving **transparency** and enhancing the value of chartered surveyors.

Ethics is not a by-product of what's good for business - **it is good for business.**



Globally, RICS DRS makes 7,000 appointments per annum

- ▶ Arbitrators
- ▶ Mediators
- ▶ Independent Experts
- ▶ Dispute Board members
- ▶ Expert Witnesses
- ▶ Adjudicators



Alternative Dispute Resolution (ADR) is....

- ▶ Any method of resolving disputes other than by litigation.

Why is ADR used?

- ▶ Saves time and costs
- ▶ Preserves confidentiality
- ▶ Opportunity to balance and hedge against litigation and/or commercial risk
- ▶ Parties can create bespoke solutions outside the range of legal outcomes
- ▶ Flexibility – parties can select a process to suit them. Can be culturally sensitive and adaptable
- ▶ High success rate
- ▶ Preservation of commercial relationship

The traditional view of ADR – separate disciplines

A collection of approximately 20 balls of yarn in various colors including red, purple, pink, orange, yellow, green, blue, and brown, arranged in a roughly rectangular shape.

Arbitration

Adjudication

Mediation

**Dispute
Boards**

DRS approach - joined up thinking

Early Neutral
Evaluation

Fixed Period
Arbitration

Service

Analytical
Built
Environment
Mediation

Bespoke
Conflict
Avoidance
Panels

Fundamental Standards Impacting on the Real Estate Sector

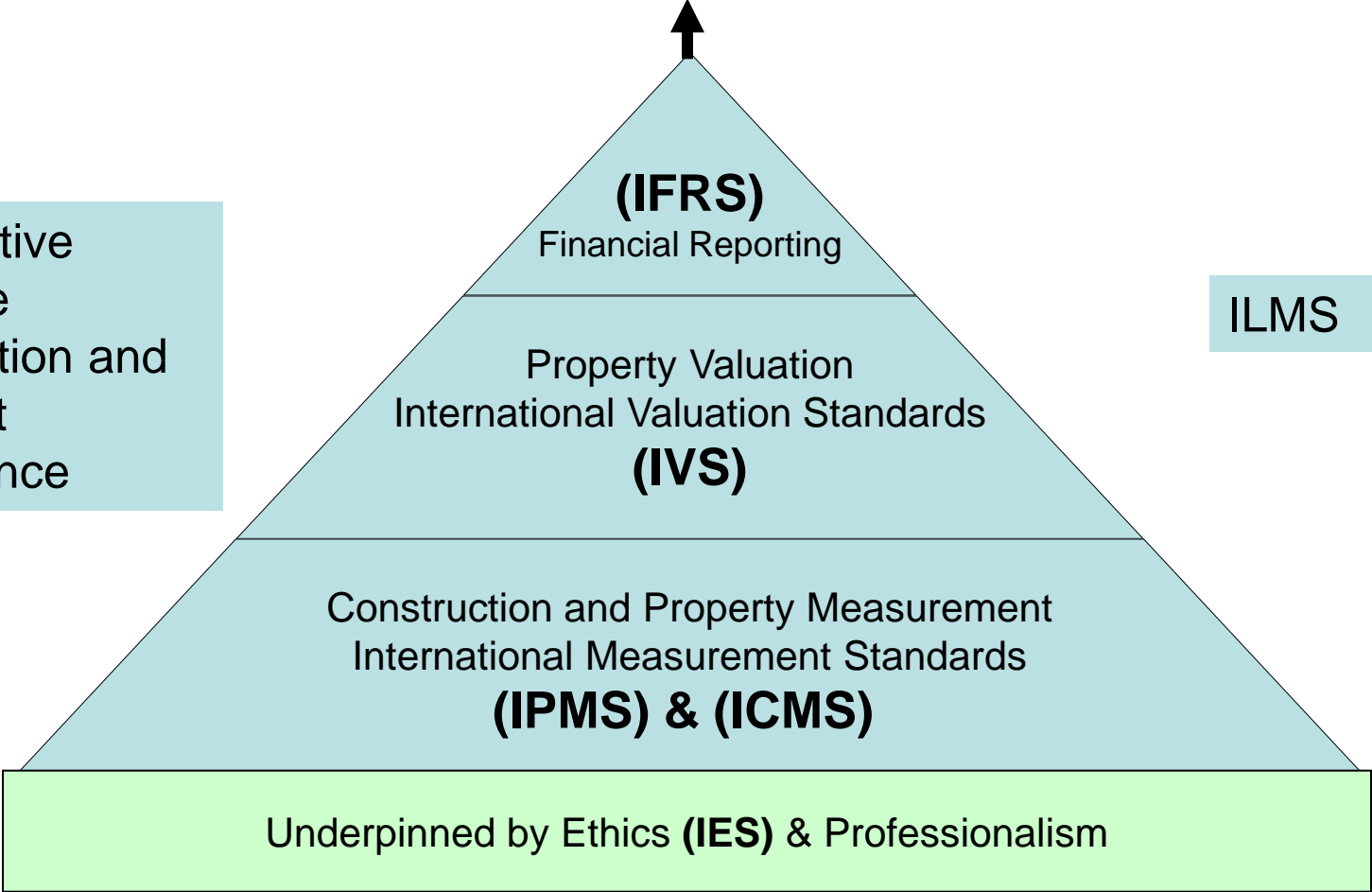


Transparency → Confidence → Sustainable Investment



Alternative
Dispute
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ILMS





Confidence through professional standards

Find out more at [rics.org](https://www.rics.org)

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