

CHAPTER 7  
Property Companies

This chapter defines and sets out the Capital Markets Rules for Property Companies.

## *General*

- 7.1 Where an Applicant or an Issuer is a Property Company it shall comply with the Capital Markets Rules contained in this Chapter in addition to all other applicable Capital Markets Rules. Other Issuers which own Property or which carry out certain Property-related transactions must comply with this Chapter where appropriate.

### *Requirement for a valuation report*

- 7.2 Where a valuation is required under Capital Markets Rules 4.2.14, 6.2.13 or 6.18.6, the Prospectus or Circular must include, where appropriate, a statement reconciling the valuation figure with the equivalent figure included in the Issuer's latest published Annual Accounts.

### *Independence of Valuer*

- 7.3 The valuation report referred to in Capital Markets Rules 4.2.14, 6.2.13 or 6.18.6 must be prepared by a competent and independent Expert unless otherwise authorised by the MFSA. The MFSA may permit the valuation to be carried out by the Issuer's internal valuer.

### *Valuation report*

#### *Contents of Valuation Report*

- 7.4 The valuation report to be included in the Prospectus or Circular in terms of Capital Markets Rules 4.2.14, 6.2.13 or 6.18.6 shall:
- 7.4.1 contain the following details which should be summarised in respect of each Property:
    - 7.4.1.1 the address;
    - 7.4.1.2 nature of valuer's inspection;
    - 7.4.1.3 a brief description (e.g. land or buildings, approximate site and floor areas);
    - 7.4.1.4 existing use (e.g. shops, offices, factories, residential);
    - 7.4.1.5 relevant planning permissions;
    - 7.4.1.6 any material contravention of statutory requirements;
    - 7.4.1.7 tenure (i.e. freehold, leasehold, emphyteutical grant, etc providing unexpired term);
    - 7.4.1.8 main terms of tenants' leases or sub-leases (including repairing obligations);
    - 7.4.1.9 approximate age of any buildings;
    - 7.4.1.10 present capital value in existing state;
    - 7.4.1.11 terms of any intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation;
    - 7.4.1.12 any other matters which materially affect the value (including any assumptions and information on contamination, if any);
    - 7.4.1.13 sources of information and verification; and

- 7.4.1.14 details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens;
- 7.4.2 state the name, address and professional qualifications of the valuer;
- 7.4.3 be dated and state the effective date of valuation for each Property which, unless otherwise agreed by the MFSA, must not be more than sixty (60) days prior to the date of publication of the Prospectus or Circular;
- 7.4.4 state that the valuation is based on open market value for existing use or, if necessary, depreciated replacement cost subject to adequate profitability;
- 7.4.5 state any assumptions on which the valuation is based and, where open market value is the basis of valuation, identify any qualifying words to be applied to the definition of open market value and state reasons for the adoption of any such qualification;
- 7.4.6 divide the valuation between freehold, long leasehold (over 50 years) and short leasehold Properties;
- 7.4.7 where the Directors have required a valuation of the benefit or detriment of contractual arrangements in respect of Property or where there is thought to be benefit in any options held, show such valuations separately and include a reconciliation of the costs and values;
- 7.4.8 in those cases where Directors or promoters have had an interest in any acquisitions or disposals (of the type referred to in Capital Markets Rule 6.18.6) of any of the Properties during the two (2) years preceding the valuation, contain details of the nature and extent of such interests and the date of the transactions and the prices paid or received or other terms on which the transactions were effected. In such cases, the information required must be provided by the Directors to the valuer for this purpose. Alternatively, the information on interests of Directors or promoters may be given elsewhere in the Prospectus or Circular;
- 7.4.9 identify any other matter which the valuer considers relevant for the purposes of the valuation; and
- 7.4.10 be carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors (RICS).

*Valuations of Property in course of Development*

- 7.5 Where the valuation is in respect of Property currently being developed the following additional information must be given in the valuation report:
  - 7.5.1 whether the relevant planning permits have been obtained, and, if so, the date of the relevant permits and whether there are any material or onerous conditions attached to the issue of such permits;
  - 7.5.2 the date when the development is expected to be completed and any estimate of letting or occupation dates;
  - 7.5.3 the estimated total cost of completion including, without limitation, the cost of financial carrying charges, letting commissions and other ancillary costs;
  - 7.5.4 the open market value of the Property in its existing state at the date of valuation;
  - 7.5.5 the estimated capital values at current prices and on the basis of current market conditions:
    - 7.5.5.1 after development has been completed; and

- 7.5.5.2 after the development has been completed and the Property has been let.

*Progressive Development*

- 7.6 Where Property in the course of development is being developed in phases over a period of time by the erection of a number of buildings, each of which is intended to be sold soon after completion of construction, the requirements of Capital Markets Rules 7.5.3 and 7.5.5 may be satisfied by the provision of information for each phase or for groups of phases. For this purpose, Property in the course of development includes any phase where, at the date of valuation, work is in progress and any other phase where a start is imminent, all appropriate consents have been obtained and a building contract has been entered into. Later phases, where construction at the date of valuation has not yet started, or where all appropriate consents and permits have not been obtained or a building contract has not been entered into, may be treated as Properties held for development (see Capital Markets Rule 7.7).

*Properties held for Development*

- 7.7 Where Property is held for future development the valuation report must contain the following additional information so far as it is known and relevant at the valuation date:
- 7.7.1 whether or not the relevant planning permits have been applied for, whether such applications have been granted or refused and the date of such grant or refusal;
  - 7.7.2 the nature and a brief description of the proposed development;
  - 7.7.3 an indication of when it is reasonable to expect development to commence;
  - 7.7.4 the expected development period; and
  - 7.7.5 the estimated total costs of the development including, without limitation, the cost of financial carrying charges, letting commissions and other ancillary costs.

*Valuation of Property for Business Use*

- 7.8 A Property which is occupied for the purposes of a business should be valued at existing use value. Where open market value for an alternative use significantly exceeds this basis the alternative use valuation must be stated in the valuation report, together with the Directors' estimate of the costs of cessation and removal of the business. Where the alternative use value is significantly lower than the existing use value and the existing use value is no longer appropriate, the alternative use valuation must be stated in the valuation report.

*Overseas Property*

- 7.9 If the Issuer owns any overseas Property then this Property must be shown separately in the valuation report and its basis of valuation clearly identified.

*Rentals used in Valuations*

- 7.10 In respect of each Property which is rented out by the Issuer, the Net Annual Rent and the estimated Net Annual Rent (based on its current open market rental value) at a specified future date (where this differs materially) must be included in the valuation report.

### *Summary of Valuations*

- 7.11 The valuation report must include a summary of the number of Properties and the aggregate of their valuations must be split to show the separate totals for the freehold and leasehold Properties. Negative values must be shown separately and not aggregated with the other valuations. Separate totals must be given for:
- 7.11.1 properties valued on an open market basis;
  - 7.11.2 properties valued on an existing use value basis;
  - 7.11.3 properties valued on a depreciated replacement cost basis; and
  - 7.11.4 for any overseas Properties.

### *Condensed Format*

- 7.12 If the Properties held are too numerous to enable the Issuer to comply with the normal requirements for a valuation report, the MFSA may consent to a suitably condensed format in the relevant Prospectus or Circular. The full valuation report must be available for inspection.
- 7.13 The MFSA may authorise the omission of any specific item of information in the valuation report if the MFSA considers that disclosure would be seriously detrimental to the Issuer and omission is not likely to mislead investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the Securities in question.

### *Continuing Obligations*

- 7.14 In addition to their continuing obligations, Property Companies must also provide for regular independent valuations of their Property portfolio after a Class of their Securities become Admissible to Listing as agreed to with the MFSA.