

# European Valuer Journal

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THE EUROPEAN VALUER  
AT A CROSSROADS:  
FROM TECHNICIAN TO  
STRATEGIC RISK ADVISOR



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# EDITOR'S NOTE

The single article in this Special Edition of EVJ contains some interesting words about the way EVS “are evolving into a quasi-prudential framework that aligns valuation practice with broader financial and regulatory objectives” yet it is anything but an invitation to complacency. It charts out a fascinating future for the valuation profession, in which “no longer confined to the validation of transactions, the valuer becomes involved in the formation of decisions, where value is not only measured but also interpreted, challenged, and contextualised.” But this comes at a cost: nothing less than the transformation of the profession under a new professional model: the Strategic Risk Valuer, requiring a corresponding evolution in education and professional standards, where methodological rigour is complemented by analytical depth and interdisciplinary competence.

Reader, if I may: To not read and reread this article is to commit an act of professional self-harm.

*Michael MacBrien, Editor*

# The European Valuer at a Crossroads: From Technician to Strategic Risk Advisor

The European valuation profession is undergoing a structural transformation. Traditionally conceived as a point-in-time estimator of Market Value, the valuer has long operated within a transactional paradigm – delivering a technical “snapshot” of price under ordinary market conditions. This paradigm is no longer sufficient.

Recent regulatory developments, notably the Capital Requirements Regulation (CRR) and EVS 2025, reposition valuation at the heart of financial stability. The introduction of prudently conservative valuation criteria and the renewed emphasis on Property Value signal a decisive shift: valuation now plays a systemic role in capital allocation, credit resilience, and macro-prudential supervision. At the same time, accelerating climate risks, energy transition policies, and the growing convergence between tangible and digital assets challenge traditional methodologies built on backward-looking comparables.

This article argues that the European valuer stands at a professional crossroads. Value can no longer be treated as a static photograph of market evidence. It is increasingly

becoming a forward-looking instrument of risk translation, integrating lifecycle sustainability, climate exposure, transition constraints, and technological obsolescence into coherent financial reasoning. The valuer’s function is evolving from technical executor to strategic risk advisor.

Drawing on regulatory analysis, climate risk integration, digital transformation and emerging AI-assisted practices, the paper outlines a new competency framework for the profession. It proposes that future European valuers must combine prudential reasoning, scenario modelling, regulatory fluency, and ethical independence to safeguard both market integrity and public interest.

The transformation is not technological but institutional and intellectual. The profession must decide whether to become a commoditised technical service or to assert its emerging role as a central actor in Europe’s financial and economic stability architecture.

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# I. Introduction – The End of the “Snapshot Valuation” Paradigm

## A. The Historical Role of the Valuer

For much of its modern history, the valuation profession in Europe has been defined by a clear and disciplined mandate: to determine Market Value at a specific date, under recognised standards, reflecting the most probable price achievable in an arm’s-length transaction. This definition, embedded in both international and European valuation frameworks, has shaped not only methodologies but also the professional identity of the valuer.

At the core of this approach lies the concept of Market Value as a point-in-time estimate. The valuer’s task has traditionally been to interpret available market evidence—comparable transactions, rental data, yields—and translate it into a coherent and defensible conclusion of value as at the valuation date. Time is therefore a defining parameter: value is anchored in the present, even if informed by past evidence.

This role has been reinforced by a strong emphasis on technical neutrality and independence. The valuer is not an advocate, nor a decision-maker, but an expert whose legitimacy derives from objectivity, methodological rigour, and professional ethics. Independence, both intellectual and institutional, has long been considered the cornerstone of credibility, particularly in contexts involving lending, litigation, or financial reporting.

Together, these elements have contributed to what may be described as the “photographic” doctrine of value. In this paradigm, valuation is akin to capturing an image of the market at a given moment: the valuer observes, analyses, and reports, without projecting beyond what can be reasonably supported by observable evidence. The objective is not to anticipate the future, but to faithfully represent current market conditions.

This model has proven robust and effective in relatively stable market environments. It has enabled comparability, transparency, and consistency across authorities, supporting transactional efficiency and investor confidence. However, its underlying assumptions—market equilibrium, informational completeness, and the relative stability of risk factors—are increasingly being challenged.

## B. The Structural Shift

Over the past two decades, a series of profound structural transformations has disrupted the foundations of the traditional valuation paradigm.

The 2008 global financial crisis marked a decisive turning point. It revealed the extent to which real estate valuations, particularly in mortgage lending, could become procyclical amplifiers of systemic risk. In many jurisdictions, valuations based on recent comparable transactions failed to capture underlying credit deterioration and market fragility. As asset prices rose, valuations followed, facilitating further lending and reinforcing the cycle. When markets corrected, the same mechanisms operated in reverse, contributing to rapid value declines and balance sheet stress. The crisis highlighted a fundamental limitation: a purely market-reflective valuation approach may be accurate in form, yet insufficient in substance when markets themselves are distorted.

Since then, the acceleration of climate-related risks has introduced a new layer of complexity. Physical risks, such as flooding, subsidence or heat stress, are increasingly measurable and location-specific, while transition risks, driven by regulatory change, energy performance requirements and carbon pricing, affect the long-term viability of entire asset classes. These risks are not always fully priced into current market transactions, creating a divergence between observed prices and underlying sustainability. As a result, reliance on backward-looking comparables may obscure emerging forms of obsolescence.

*“The traditional separation between real estate and business value becomes increasingly porous, challenging established valuation boundaries and requiring new analytical frameworks.”*

In parallel, the digital transformation of the economy is reshaping the nature of real estate value itself. Assets such as data centres, logistics platforms, or hospitality properties derive a massive portion of their value from intangible components: data flows, software systems, brand strength, or operational integration. The traditional separation between real estate and business value becomes increasingly porous, challenging established valuation boundaries and requiring new analytical frameworks.

Finally, the rapid expansion of AI-driven data and analytics is transforming professional practice. Large datasets, automated valuation models, and machine learning tools can now process information at a scale and speed far beyond human capability. While these technologies enhance efficiency and broaden access to data, they also risk reinforcing a purely quantitative and reactive approach to valuation, one that prioritises correlation over interpretation, and output over judgment.

Taken together, these developments signal a shift from a relatively stable, transaction-driven environment to one characterised by uncertainty, systemic interdependencies, and forward-looking risk dynamics. In such a context, the “photographic” model of valuation reveals its limitations.

## C. Thesis

Against this backdrop, the role of the valuer is undergoing a fundamental transformation.

The valuer is no longer merely estimating price.

Increasingly, the valuer is called upon to interpret risk, assess sustainability and contribute to decision-making processes that extend well beyond individual transactions. Through the evolution of regulatory frameworks, particularly in the banking and financial sectors, valuation has become an integral component of capital allocation, credit risk assessment, and systemic resilience.

In this emerging paradigm, valuation is not simply a reflection of the market, it is part of the infrastructure that shapes it.

The valuer is therefore progressively embedded within the architecture of financial stability, where the quality of valuation impacts not only individual assets or portfolios, but the robustness of the broader economic system. This shift calls for a redefinition of professional competencies, methodologies, and responsibilities, moving from a static, point-in-time assessment toward a dynamic, forward-looking, and risk-informed discipline.

The end of the “snapshot valuation” paradigm marks the beginning of a more demanding, but also more strategic, role for the profession.

## II. From Market Value to Systemic Stability

### A. The Regulatory Turning Point

#### 1. CRR and Property Value

The evolution of European banking regulation has profoundly reshaped the function of valuation within the financial system. **The Capital Requirements Regulation (CRR)**, in its latest iteration, introduces a decisive conceptual shift through the increasing prominence of Property Value and prudently conservative valuation criteria.

Unlike Market Value, which reflects the most probable price under current market conditions, Property Value is rooted in long-term sustainability. It requires valuers to consider whether the assessed value can be maintained over the duration of the loan, under normal and adverse conditions. This introduces an explicit temporal and prudential dimension into valuation practice.

This shift is intricately linked to the mechanics of loan-to-value (LTV) risk-weighting. Under CRR, preferential capital treatment is contingent upon conservative valuation assumptions. If valuation overstates collateral value, it artificially lowers LTV ratios, leading to underestimation of risk and insufficient capital buffers. Conversely, a prudent valuation contributes to a more resilient credit structure.

In this context, valuation becomes a critical input into regulatory capital calculations. It is no longer a peripheral technical exercise but a determinant of how risk is measured, priced and absorbed within the banking system.

Supervisory authorities, including the European Central Bank (ECB) and national regulators, have consequently raised their expectations. They now require:

- ▶ greater transparency in methodologies,
- ▶ explicit justification of assumptions,
- ▶ integration of forward-looking risk factors,
- ▶ and consistency with prudential objectives.

The valuer is thus increasingly operating within a regulated risk framework, where professional judgment must align not only with market evidence but also with financial stability considerations.

*“Traditionally perceived as a set of technical guidelines ensuring consistency and professionalism, EVS are evolving into a quasi-prudential framework that aligns valuation practice with broader financial and regulatory objectives.”*

## **2. EVS 2025**

The European Valuation Standards (EVS 2025) reflect and reinforce this transformation. Traditionally perceived as a set of technical guidelines ensuring consistency and professionalism, EVS are evolving into a quasi-prudential framework that aligns valuation practice with broader financial and regulatory objectives.

This evolution is particularly visible in the growing emphasis on Property Value alongside Market Value, risk analysis and sustainability considerations, and transparency and auditability of valuation processes.

The shift can be understood as a transition from a **transactional logic to a lifecycle logic**.

Under the transactional model, valuation is primarily concerned with facilitating exchanges: determining a price at which a willing buyer and seller might transact. Under the lifecycle model, valuation extends across the entire duration of financial exposure, integrating market cycles, asset durability, regulatory evolution, and long-term risk factors.

This implies that the valuer must move beyond static observation and engage in structured anticipation. The objective is no longer solely to describe the market, but to assess its sustainability over time.

EVS 2025 therefore contributes to redefining valuation as a forward-looking discipline, embedded in financial risk management.

## **3. The valuer as a financial system gatekeeper**

As a result of these regulatory and methodological developments, the role of the valuer is being fundamentally reconfigured. The valuer is no longer positioned at the periphery of financial decision-making but occupies a strategic position within the credit and investment chain.

- ▶ First, valuation directly impacts collateral quality. The assessed value determines the extent to which

an asset can secure a loan, influencing both lending decisions and risk exposure. An overvaluation weakens collateral protection; an undervaluation may constrain credit unnecessarily. The balance is therefore critical.

- ▶ Second, valuation influences capital allocation. Through its effect on LTV ratios and risk weights, valuation contributes to how financial institutions distribute capital across sectors, geographies, and asset classes. In this sense, valuation plays a role in shaping investment flows and market dynamics.
- ▶ Third, valuation contributes to banking resilience. By embedding prudence and forward-looking analysis into collateral assessment, valuation can mitigate the build-up of systemic vulnerabilities. Conversely, inadequate valuation practices can amplify financial instability.

In this configuration, the valuer assumes a function that may be described as that of a financial system gatekeeper. While not a regulator, the valuer operates at a critical junction where individual asset assessments aggregate into systemic outcomes.

## B. Valuation and Systemic Risk

### 1. Procyclicality of real estate markets

Real estate markets are inherently procyclical, and valuation practices have historically played a role in reinforcing this dynamic.

During periods of economic expansion, rising asset prices are reflected in comparable transactions, leading to higher valuations. These valuations, in turn, support increased lending by improving collateral metrics and reducing perceived risk. The result is a credit expansion feedback loop, where valuation and lending mutually reinforce upward market movements.

At the same time, abundant liquidity and investor demand often lead to yield compression. Capitalisation rates decrease, not necessarily because of improved fundamentals, but due to competitive pressure and capital inflows. Valuations based on these compressed yields may therefore embed optimistic assumptions that are vulnerable to reversal.

When market conditions deteriorate, the process operates in reverse. Declining transaction volumes, widening yields and falling prices lead to downward valuation adjustments, tightening credit conditions and reinforcing the downturn.

This cyclical amplification underscores the systemic importance of valuation practices.

### 2. The danger of “mechanical valuation”

A key risk in this context is the persistence of “mechanical valuation” approaches. These approaches are characterised by a blind reliance on comparable transactions, without sufficient interrogation of their underlying drivers, and a tendency toward herd behavior in capitalisation rates, where market consensus substitutes for critical analysis.

While comparables remain a fundamental tool, their uncritical application may lead valuers to mirror market distortions rather than identify them. In overheated markets, this can result in valuations that are technically compliant but economically fragile.

Similarly, the adoption of prevailing cap rates without adjustment for asset-specific or systemic risks can obscure vulnerabilities related to tenant concentration, regulatory change, climate exposure, or technological obsolescence.

Mechanical valuation, in this sense, risks transforming the valuer from an independent expert into a passive transmitter of market sentiment.

*“... the adoption of prevailing cap rates without adjustment for asset-specific or systemic risks can obscure vulnerabilities related to tenant concentration, regulatory change, climate exposure, or technological obsolescence.”*

### 3. The need for counter-cyclical judgment

In response to these challenges, there is a growing need for counter-cyclical judgment within valuation practice. This implies a shift from reactive to analytical and anticipatory methodologies, including three aspects:

- ▶ Long-term sustainability testing: assessing whether current values are consistent with durable income streams, regulatory trajectories, and structural demand.
- ▶ Scenario-based valuation: exploring alternative market conditions, including adverse scenarios, to understand the range of potential value outcomes.
- ▶ Stress modelling: integrating shocks such as interest rate increases, yield decompression, or regulatory constraints into valuation reasoning.

These approaches do not seek to replace market evidence, but to contextualise and challenge it. They introduce a disciplined form of professional skepticism, aligned with prudential objectives.

In this framework, the valuer is no longer a passive observer of market cycles but an active interpreter of risk dynamics. By incorporating forward-looking analysis and resisting purely procyclical signals, valuation can contribute to moderating systemic volatility rather than amplifying it.

The transition from Market Value to systemic stability thus reflects a broader redefinition of valuation itself. No longer confined to transactional accuracy, it becomes a core component of financial risk architecture, where professional judgment plays a decisive role in safeguarding economic resilience.

### III. Climate Risk: The Valuer as Transition Analyst

The integration of climate-related risks into real estate valuation represents one of the most profound methodological shifts of the past decade. What was once considered an externality, occasionally mentioned in disclaimers or qualitative commentary, is now emerging as a core determinant of value formation. Climate risk is no longer peripheral; it is structural.

This evolution compels a redefinition of the valuer's role. Beyond interpreting market evidence, the valuer must now engage with scientific uncertainty, regulatory trajectories, and long-term asset resilience. In doing so, the profession moves into the domain of transition analysis, where value is inseparable from environmental risk dynamics.

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#### A. Physical Risk Integration

The first dimension of climate risk concerns physical exposure. These risks are increasingly measurable, geographically differentiated and, in many cases, already observable.

They include:

- ▶ Flood risk, driven by rising sea levels, river overflow, and extreme weather events.
- ▶ Drought and subsidence, particularly in areas with clay soil or water stress, leading to structural damage.

- ▶ Seismic risk, which, although historically stable, is now more tightly integrated into risk modelling and insurance frameworks.
- ▶ Coastal erosion, affecting both asset durability and long-term land usability.

Traditionally, such factors were treated as exceptional or insurable risks, often excluded from valuation reasoning unless directly material. This approach is no longer tenable. The increasing frequency and severity of climate events, combined with improved data availability, mean that physical risks must now be systematically integrated into valuation analysis.

These risks impact value through several key channels:

- ▶ Capitalisation rates: Assets exposed to higher physical risk may require a risk premium, leading to yield expansion and lower capital values. Conversely, assets in resilient locations may benefit from relative yield compression.
- ▶ Insurance costs and availability: Rising premiums, coverage limitations or even withdrawal of insurance in high-risk areas directly affect net operating income and asset attractiveness.
- ▶ Liquidity: Market depth may decline for assets perceived as exposed to climate risk, increasing transaction uncertainty and time-on-market.
- ▶ Obsolescence curves: Physical degradation, increased maintenance costs and regulatory constraints may accelerate the economic depreciation of assets, shortening their effective lifespan.

In this context, the valuer must move beyond static descriptions and engage in dynamic risk assessment, integrating spatial data, environmental indicators, and forward-looking projections into valuation reasoning.

## B. Transition Risk

If physical risks relate to environmental exposure, transition risks arise from the societal and regulatory response to climate change. These risks are often less visible in the short term but potentially more disruptive in the medium to long term.

Carbon pricing mechanisms, whether through carbon taxes or emissions trading systems, progressively increase the operating cost of energy-intensive assets by internalising the budgetary impact of greenhouse gas emissions. For buildings with poor energy

performance or high carbon intensity, this translates into rising utility expenses, higher service charges and, in some cases, additional compliance costs, which directly erode operating margins. Over time, these increased costs are only partially transferable to tenants, particularly in competitive markets, leading to a growing divergence between efficient and inefficient assets. As a result, tenant demand tends to shift toward lower-carbon, cost-efficient buildings, leaving energy-intensive properties exposed to higher vacancy risk, rent pressure, and accelerated obsolescence, ultimately impacting both income stability and capital values.

Increasingly stringent standards (e.g., Energy Performance Certificate (EPC) thresholds) can render certain assets non-compliant or unlettable without significant capital expenditure. Within the broader category of transition risks, Energy Performance Certificate (EPC) thresholds have emerged as one of the most immediate and quantifiable drivers of real estate value in Europe. Unlike more diffuse climate considerations, EPC regulations translate environmental policy into hard legal constraints on asset usability, directly impacting income generation and liquidity.

The EU taxonomy and broader sustainable finance frameworks are progressively reshaping real estate valuation by establishing a common language that links environmental performance to financial eligibility, thereby directly influencing investor behavior, access to capital and asset classification. By defining what constitutes a “sustainable” economic activity based on technical screening criteria—particularly in terms of energy performance, carbon emissions, and climate resilience—the EU taxonomy creates a hierarchy of assets that are increasingly treated differently by financial markets. Assets aligned with taxonomy criteria benefit from improved access to capital, lower financing costs, and stronger investor demand, as institutional investors, banks and funds are themselves subject to disclosure obligations (SFDR, CSRD)<sup>1</sup> that incentivise alignment.

<sup>1</sup> Sustainable Finance Disclosure Regulation, Corporate Sustainability Reporting Directive

*“ESG is no longer a reporting overlay; it is a valuation driver.*

*Environmental, social and governance considerations are no longer confined to disclosure frameworks or qualitative commentary. They directly influence income stability, capital expenditure requirements, financing conditions and ultimately, asset liquidity and pricing.*

*The valuer must therefore incorporate transition dynamics not as an adjustment at the margin, but as a principal component of value formation.”*

Conversely, non-compliant or “brown” assets may face restricted financing, higher risk premiums or even exclusion from certain investment mandates, leading to a structural repricing of risk. This classification effect goes beyond simple market preference: it embeds sustainability into the risk-return framework of capital allocation, effectively transforming environmental performance into a financial metric. For valuers, this implies that asset classification is no longer neutral—it must be analysed as a determinant of liquidity, yield formation, and long-term value sustainability, reinforcing the need to integrate regulatory trajectories and investor constraints into valuation reasoning.

The emergence of stranded assets refers to properties that experience premature and often abrupt obsolescence because of regulatory tightening, technological change or evolving market expectations linked to the energy transition. These assets, typically energy-inefficient,

carbon-intensive, or structurally misaligned with future standards, may become partially or entirely unusable, economically unviable, or legally non-compliant within a timeframe shorter than their physical lifespan. Unlike traditional depreciation, which is gradual and predictable, stranding introduces a discontinuity in value, where income streams are disrupted, capital expenditure requirements become disproportionate, and liquidity deteriorates sharply. This phenomenon reflects a structural repricing of risk: assets that fail to meet emerging environmental criteria may face rental bans, financing constraints, or investor exclusion, leading to a rapid erosion of value. For valuers, the challenge lies in identifying early signals of potential stranding and incorporating them into forward-looking analysis, as these risks fundamentally alter the relationship between current market value and long-term economic sustainability.

These factors introduce a fundamental challenge: market prices may lag behind regulatory reality. Assets that appear competitively priced today may face significant value erosion as new standards are enforced or investor preferences shift.

This leads to a critical conclusion: ESG is no longer a reporting overlay; it is a valuation driver.

Environmental, social and governance considerations are no longer confined to disclosure frameworks or qualitative commentary. They directly influence income stability, capital expenditure requirements, financing conditions and ultimately, asset liquidity and pricing.

The valuer must therefore incorporate transition dynamics not as an adjustment at the margin, but as a principal component of value formation.

## C. From ESG Adjustment to Risk Architecture

The integration of climate risk into valuation cannot be reduced to isolated adjustments or generic “green premiums/discounts.” It requires a structured risk architecture, embedded within core valuation parameters.

This architecture may operate through several levers:

**Discount rate adjustments:** Incorporating additional risk premiums to reflect uncertainty related to physical exposure or transition constraints. However, such adjustments must be justified and calibrated, avoiding arbitrary uplifts.

**Exit yield anticipation:** Recognising that future market participants may price climate risks more aggressively, leading to yield decompression for exposed assets. This forward-looking perspective is critical in discounted cash flow (DCF) models.

**Obsolescence modelling:** Explicitly accounting for accelerated depreciation, increased capital expenditure (CapEx) requirements and potential functional or regulatory obsolescence.

**Prudential haircut logic:** In line with emerging regulatory frameworks, applying conservative adjustments to reflect uncertainty and ensure that valuation remains robust under adverse scenarios.

These tools collectively shift valuation from a descriptive exercise to a risk-based analytical framework, where value is the outcome of structured reasoning under uncertainty.

In this evolving context, the valuer assumes new and expanded functions:

As a **risk translator**, converting complex environmental and regulatory information into financial terms that can be understood by lenders, investors, and policymakers.

As a **climate probability interpreter**, assessing the likelihood and impact of physical and transition risks, often based on imperfect or evolving data.

As a **forward-looking analyst**, integrating long-term scenarios into present-day valuation conclusions.

This transformation does not imply abandoning traditional valuation principles. Rather, it requires extending them to accommodate a world in which future risks are increasingly determinative of present value.

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## IV. Digital Transition & Intangible Convergence

The digital transformation of the economy is profoundly altering the nature of real estate value. Increasingly, assets derive their performance not solely from their physical characteristics, but from their integration within data systems, digital infrastructures, and operational platforms. This convergence between tangible and intangible components challenges one of the foundational assumptions of traditional valuation: the clear separation between real estate and business value.

### A. When Real Estate Value Depends on Intangibles

A growing number of asset classes illustrate this shift.

**Data centres** represent perhaps the most explicit case. While they are physically composed of land, buildings and technical equipment, their value is fundamentally driven by intangible elements: connectivity, latency, redundancy architecture, client contracts, and operational expertise. The physical shell is necessary but not sufficient; it is the integration within digital ecosystems that generates value.

**Smart buildings** similarly rely on embedded technologies, like sensors, automation systems, energy management platforms, which optimise performance, reduce costs and enhance

user experience. These systems create value through data-driven efficiency rather than purely through physical attributes.

In the **hospitality sector**, branding, management contracts, and distribution platforms like Online Travel Agencies (OTA) play a decisive role. Two physically identical hotels may exhibit radically different values depending on brand affiliation, operational strategy, and digital visibility. The intangible layer, like reputation, pricing algorithms, customer data, becomes a primary driver of income.

Finally, **platform-dependent retail** illustrates how physical location is increasingly intertwined with digital ecosystems. Retail assets now depend on omnichannel strategies, logistics integration, and platform exposure. Footfall is no longer solely a function of location, but also of digital engagement.

These examples highlight a fundamental issue:

Traditional valuation methodologies tend to isolate the physical asset from its intangible drivers. This separation, while historically justified, becomes increasingly artificial in a context where value is generated by the interaction between physical infrastructure and intangible systems. Ignoring this convergence risks underestimating both upside potential and structural vulnerabilities.

## B. AI and the Future of Valuation Practice

In parallel with the transformation of assets themselves, the tools and processes of valuation are being reshaped by artificial intelligence and data-driven technologies.

First, **automation of data extraction** is rapidly reducing the time required to collect and process information. Lease data, transaction evidence, planning documents, and financial statements can now be analysed at scale, increasing both efficiency and data coverage.

Second, **predictive analytics** enable the identification of patterns and trends that may not be immediately visible through traditional analysis. Machine learning models can assist in forecasting rental evolution, yield movements, or market segmentation, providing additional layers of insight.

Third, the emergence of **digital twins and dynamic valuation models** introduces the possibility of continuous monitoring. Assets can be modelled in real time, integrating data on occupancy, energy consumption, maintenance, and market conditions, allowing for more responsive and granular valuation approaches.

However, this technological evolution must be approached with caution.

### AI increases speed - not judgment.

While algorithms can process vast quantities of data and identify correlations, they do not inherently understand context, structural change, or regulatory risk. They reflect patterns observed in historical data, which may themselves be incomplete or distorted. The risk, therefore, is that valuation becomes faster but not necessarily more accurate or more resilient.

The enduring value of the valuer lies in interpretation, critical analysis, and professional judgment—capacities that cannot be fully automated.

*“The valuer is no longer only an expert of assets, but an analyst of systems capable of understanding how physical, digital, and regulatory dimensions interact to shape value.”*

### C. The New Competency Matrix

As both assets and tools evolve, so must the competencies of the valuation professional. The traditional skill set, grounded in inspection, comparable analysis and technical reporting, remains essential, but it is no longer sufficient.

The strategic valuer must now integrate a broader and more interdisciplinary competency matrix, including:

- ▶ Financial modelling, to assess complex cash flow structures, scenario analysis, and risk-adjusted returns.
- ▶ Regulatory literacy, to understand the implications of frameworks such as CRR, EU taxonomy and energy performance regulations.
- ▶ Climate risk interpretation, to integrate both physical and transition risks into valuation reasoning.

- ▶ Data science understanding, not necessarily to develop algorithms, but to critically assess their outputs, limitations, and biases.
- ▶ Litigation awareness, particularly in contexts where valuation is subject to legal scrutiny or dispute.
- ▶ Governance insight, to engage effectively with investment committees, lenders, and public authorities.

This expanded skill set reflects a fundamental shift: Valuation is no longer purely a technical surveying activity.

It becomes a hybrid discipline, situated at the intersection of finance, regulation, technology, and risk management. The valuer is no longer only an expert of assets, but an analyst of systems capable of understanding how physical, digital, and regulatory dimensions interact to shape value. As the nature of assets evolves and analytical tools become more powerful, the distinguishing role of the valuer lies not in data processing, but in structuring meaning under uncertainty.

## V. Litigation, Governance and Accountability

As valuation becomes increasingly embedded in financial stability, climate transition and capital allocation mechanisms, its role extends beyond technical assessment into domains traditionally associated with legal responsibility, institutional governance, and strategic decision-making. This evolution exposes valuers to heightened scrutiny and repositions them within the broader architecture of accountability.

### A. Valuation in Courts

The judicial context provides a revealing lens through which to observe the transformation of valuation.

In litigation, valuation is no longer limited to determining a transactional price; it is frequently mobilised for damage quantification, where the objective is to assess economic loss over time. This may include loss of rental income, loss of opportunity, diminution in value due to regulatory or environmental constraints or prejudice arising from delayed or impaired asset use.

Such analyses inherently require forward-looking reasoning, extending beyond observable market evidence into counterfactual scenarios. A growing source of complexity arises from the interaction between Market Value and prudential concepts such as Property Value. Courts may be confronted

with situations where Market Value reflects prevailing conditions, while prudential or sustainability-adjusted values suggest a materially different assessment.

This divergence raises fundamental questions: Should compensation be based on current market conditions, even if they are unsustainable? Or should valuation incorporate long-term risks and structural adjustments?

In parallel, long-term sustainability arguments are increasingly invoked in litigation, particularly in cases involving environmental exposure, regulatory compliance, or asset obsolescence. Valuers are thus required to articulate not only what the market indicates today, but how risks may affect value over time.

In this context, valuation becomes a tool for legal reasoning under uncertainty, requiring methodological transparency, robustness, and the ability to withstand adversarial scrutiny.

### B. Liability Exposure

The expansion of valuation into forward-looking risk analysis inevitably increases professional liability exposure.

One emerging area concerns climate-related negligence claims. As environmental risks become more measurable

and more widely recognised, failure to identify or adequately integrate such risks into valuation may be interpreted as a breach of professional duty. For example: underestimating flood exposure, ignoring regulatory trajectories related to energy performance or failing to anticipate obsolescence linked to carbon constraints.

More broadly, valuers may face liability for failure to integrate material risks into their analysis. In a context where standards and regulatory expectations explicitly call for prudence and forward-looking assessment, reliance on purely backward-looking comparables may no longer be defensible.

Another critical dimension relates to the mispricing of collateral. In lending contexts, overvaluation may contribute to excessive credit exposure, inadequate capital provisioning, and ultimately financial instability.

In such cases, valuation errors may have consequences that extend beyond individual transactions, raising questions of systemic responsibility.

The cumulative effect of these developments is a shift from liability based on technical errors to liability based on insufficient risk awareness or inadequate professional judgment.

## C. Governance Dimension

Beyond litigation, valuation is increasingly integrated into the governance structures of financial and investment institutions. Within institutional investment committees, valuation plays a critical role in asset acquisition and disposal decisions, portfolio allocation, performance measurement, and risk assessment.

Valuers are expected not only to provide figures, but to contribute to strategic analysis, highlighting risks, uncertainties, and structural trends.

In bank credit committees, valuation is a key determinant of lending decisions, loan structuring, covenant setting, and risk monitoring.

Here again, the valuer's role extends beyond technical input. It involves the capacity to challenge assumptions, assess sustainability and provide an independent perspective within a multi-disciplinary decision-making process. At a broader level, valuation expertise is increasingly relevant in public policy advisory contexts, particularly in relation to housing markets, urban development, environmental regulation, and financial stability.

Valuers may contribute to the design of frameworks that shape markets themselves, reinforcing their role as intermediaries between technical analysis and policy objectives.

Across these domains, a common trend emerges: the valuer moves upstream in decision-making. No longer confined to the validation of transactions, the valuer becomes involved in the formation of decisions, where value is not only measured but also interpreted, challenged, and contextualised.

*“... a common trend emerges: the valuer moves upstream in decision-making. No longer confined to the validation of transactions, the valuer becomes involved in the formation of decisions, where value is not only measured but also interpreted, challenged, and contextualised.”*

This upstream movement reinforces both the influence and the responsibility of the profession. It requires valuers to engage with broader economic, legal, and regulatory considerations, while maintaining the independence and rigour that underpin their legitimacy.

In this evolving landscape, valuation is not merely an output. It is a **governance tool**, shaping how risks are understood, managed and ultimately borne within the economic system.

## VI. The Ethical Challenge

The transformation of valuation into a forward-looking, risk-integrated discipline is not only technical or methodological, but also fundamentally ethical. As valuers move closer to the core of financial decision-making, their judgments carry greater consequences, influencing capital allocation, risk perception, and market stability. In this context, the traditional pillars of independence, objectivity and professional integrity are both more critical and more difficult to uphold.

### A. Independence under Pressure

Independence has long been the cornerstone of the valuation profession. However, the current environment introduces new forms of pressure, more subtle but potentially more pervasive than in the past.

In the context of banking mandates, valuers operate within frameworks where their conclusions directly impact lending decisions, loan structuring, and regulatory capital. While independence is formally preserved, implicit expectations may arise, particularly in competitive environments, where valuations that facilitate transactions are favoured over those that

constrain them. The challenge is heightened by the integration of valuation into prudential frameworks, where the tension between market reflectivity and regulatory conservatism must be carefully navigated.

Similarly, development mandates may expose valuers to forward-looking assumptions that are inherently uncertain. Feasibility studies, residual valuations, and projected cash flows depend on hypotheses regarding market evolution, costs and exit conditions. In such cases, the risk is not only bias, but overconfidence in speculative scenarios, especially when aligned with developer expectations.

Investor's mandates introduce another layer of complexity. Institutional investors, subject to performance targets and ESG commitments, may exert direct or indirect pressure on valuation outcomes. The increasing importance of sustainability classifications, yield expectations and portfolio reporting can create incentives to stabilise or optimise valuation metrics, potentially at the expense of critical analysis.

In all these contexts, independence is no longer merely a formal condition; it becomes an active discipline, requiring the valuer to maintain **intellectual autonomy**, resist implicit pressures and articulate defensible, sometimes counterintuitive, conclusions.

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## B. AI and Responsibility

The integration of artificial intelligence into valuation practice introduces a new dimension to professional responsibility.

One of the central challenges is algorithmic opacity. Many AI systems, particularly those based on machine learning, operate as “black boxes,” producing outputs without transparent reasoning. While these tools can enhance efficiency and identify patterns, they may also obscure the underlying logic of valuation conclusions.

This leads to the risk of black-box valuation, where results are accepted based on computational authority rather than professional understanding. In such cases, the valuer risks becoming an intermediary between data and output, rather than an expert exercising judgment.

However, responsibility cannot be delegated to algorithms.

The valuer remains accountable for the selection and validation of data, the interpretation of results and the final conclusion of value.

This implies a clear obligation of human override. The valuer must be capable of questioning algorithmic outputs, identifying inconsistencies or biases and, where necessary, departing from automated conclusions. The ethical challenge is therefore not to reject AI, but to integrate it critically, ensuring that technology augments rather than replaces professional judgment.

## C. The Profession’s Identity Crisis

These developments converge toward a deeper question concerning the identity of the valuation profession.

Faced with increasing data availability, automation and standardisation, there is a risk that the valuer becomes a data technician, focused on processing information, applying models, and producing outputs within predefined frameworks. In such a scenario, the profession risks commoditisation, where differentiation is based on speed and cost rather than insight.

Alternatively, the valuer may evolve into a strategic advisor, capable of interpreting complex risk environments, integrating regulatory, environmental, and technological dimensions, and providing forward-looking analysis that supports resilient decision-making.

This choice is not merely individual; it is collective and institutional.

If the profession prioritises automation without reflection, it may gradually lose its intellectual core. If it embraces complexity and reinforces its analytical and ethical foundations, it can assert a significant role in the architecture of financial stability.

At this crossroads, the defining question becomes: Will the valuer remain a technician of price, or become an architect of risk-informed value?

The answer will determine not only the future of the profession, but also its capacity to contribute meaningfully to the evolving economic and regulatory landscape.

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## VII. A New Professional Model: The Strategic Risk Valuer

The cumulative transformations, like regulatory evolution, climate risk integration, digital convergence and governance implications, point toward the emergence of a new professional archetype: the strategic risk valuer. This model does not replace traditional valuation principles; it extends and repositions them within a broader framework where value is inseparable from risk, time, and systemic context.

### A. Core Pillars

At the heart of this new model lies a set of interdependent competencies that redefine valuation as a risk-informed, forward-looking discipline.

First, **prudential reasoning** becomes a central pillar. The valuer must move beyond reflecting market evidence and incorporate a structured assessment of sustainability, ensuring that values remain robust under normal and adverse conditions. This implies a disciplined approach to uncertainty, aligned with financial stability objectives.

Second, **scenario modelling** becomes an essential tool. Rather than relying on a single-point estimate, the valuer must consider multiple trajectories, like base case, optimistic and adverse scenarios, integrating variables such as interest rates, regulatory changes, climate exposure,

and market cycles. This approach allows value to be understood as a range of outcomes rather than a fixed figure.

Third, **risk quantification** must be systematically embedded in valuation practice. Physical risks, transition risks, liquidity constraints, and operational vulnerabilities must be translated into financial terms through adjustments to cash flows or discount rates or exit assumptions, ensuring that risk is neither ignored nor treated qualitatively.

Fourth, **regulatory fluency** becomes indispensable. The strategic valuer must understand and anticipate the implications of frameworks such as Capital Requirements Regulation (CRR), European Valuation Standards (EVS), EU taxonomy, and Energy Performance Regulations (EPR). Valuation is no longer neutral to regulation; it is shaped by it.

Finally, a forward-looking methodology must underpin the entire process. This involves integrating long-term perspectives into present-day analysis, recognising that value is increasingly determined by future constraints rather than past transactions.

Together, these pillars transform valuation into a structured interpretation of risk over time, rather than a static observation of price.

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## B. Education & Standards Reform

Such a transformation cannot occur without a corresponding evolution in education and professional standards.

The traditional training of valuers, largely centred on technical appraisal methods and market analysis, must be expanded to include interdisciplinary knowledge domains.

The integration of macroeconomics is essential to understand market cycles, interest rate dynamics, and capital flows. Valuers must be able to situate asset-level analysis within broader economic contexts.

A foundational understanding of climate science is increasingly necessary, not to replace specialists, but to interpret risk data, regulatory trajectories, and environmental indicators in a meaningful way.

Financial risk modelling must also become part of the core skill set. Discounted cash flow analysis, sensitivity testing, and stress scenarios require a level of sophistication comparable to that found in financial institutions.

In parallel, AI literacy is becoming indispensable. Valuers must be capable of understanding how data-driven tools operate, recognising their strengths and limitations, and critically assessing their outputs. The objective is not to become data scientists, but to remain intellectually in control of the valuation process.

This evolution calls for a redefinition of professional standards, where methodological rigour is complemented by analytical depth and interdisciplinary competence.

## C. Institutional Positioning

The emergence of the strategic risk valuer also implies a repositioning of the profession within the institutional landscape.

The Valuer should increasingly engage with central banks and supervisory authorities, contributing to discussions on collateral valuation, risk measurement, and financial stability. As valuation directly influences capital adequacy and credit risk, its role in macro-prudential frameworks becomes more explicit.

Beyond this, valuers can contribute to systemic risk analysis, providing insights into real estate market dynamics, valuation cycles, and structural vulnerabilities. Their proximity to asset-level data offers a unique perspective that complements macroeconomic analysis.

Finally, the profession has a role to play in influencing EU regulatory dialogue. Through professional bodies and expert contributions, valuers can help shape frameworks related to sustainable finance, energy performance, and prudential regulation, ensuring that they are both robust and operationally realistic.

In this expanded role, the valuer is no longer confined to the production of valuation reports. The Valuer becomes an active participant in the ecosystem of financial governance, where technical expertise informs strategic decisions.

The emergence of the strategic risk valuer thus represents not only an evolution of practice, but a redefinition of professional purpose. It positions valuation at the intersection of markets, regulation, and long-term resilience, where its contribution extends beyond individual assets to the stability of the economic system as a whole.

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## VIII. Conclusion – The Crossroads

The analysis developed throughout this article leads to a clear and inescapable conclusion: valuation can no longer be understood as a static technical exercise. The traditional paradigm, anchored in point-in-time market observation and comparable evidence, has been progressively overtaken by a more complex reality in which value is shaped by regulatory frameworks, climate transition dynamics, financial stability requirements, and digital transformation.

Valuation is now situated at the intersection of multiple systems. It informs capital allocation, influences credit risk assessment, integrates environmental constraints and interacts with increasingly data-driven analytical tools. In this environment, the valuer is no longer merely interpreting the market; the Valuer is participating in the structuring of risk within the economic system.

This transformation places the profession at a decisive crossroads.

On one path, valuation risks becoming a commoditised technical service, increasingly automated, standardised and driven by data processing. In such a scenario, the valuer's role would gradually be reduced to validating outputs generated by models, with limited capacity for differentiation or strategic contribution. The profession would remain operationally relevant but intellectually diminished, confined to the execution of predefined methodologies.

On the other path, the valuer evolves into a recognised risk architect, fully integrated within European financial governance. In this role, valuation becomes a discipline of interpretation, capable of translating complex and forward-looking risks – climate, regulatory, technological – into structured financial reasoning. The valuer contributes not only to transactions, but to the resilience of financial institutions, the efficiency of capital allocation and the stability of markets.

The distinction between these two futures does not depend on the pace of technological change. Artificial intelligence, data analytics, and digital tools will continue to transform the profession regardless of its strategic positioning. The determining factor lies elsewhere. The choice is not technological. It is intellectual and institutional.

It concerns the capacity of the profession to redefine its purpose, to expand its competencies and to assert its role within the broader architecture of financial stability. It also concerns the willingness of institutions, regulators, professional bodies, and financial actors to recognise and support this evolution.

At stake is more than the future of a profession. It is the role that valuation will play in navigating the economic, environmental, and technological transitions that define Europe's trajectory.

The crossroads is here. The direction remains to be chosen.

In this context of expanding responsibility and systemic impact, a final question naturally emerges: should the valuation profession in Europe move toward the creation of a formal professional order, akin to those governing doctors, architects, or chartered surveyors in regulated authorities? At a time when valuation directly influences financial stability, climate risk allocation and capital flows, can the profession continue to rely solely on fragmented standards and voluntary frameworks? Would a structured professional order, grounded in statutory recognition, enforceable ethical rules, disciplinary authority and protected title, provide the necessary guarantees of independence, competence, and accountability? Or would it risk constraining a profession that must remain adaptable in the face of rapid technological and regulatory changes? Ultimately, if the valuer is to be recognised as a strategic risk actor within European financial governance, is it not legitimate to question whether the institutional framework governing the profession should evolve accordingly?

The views expressed in this publication are those of the author and do not necessarily reflect the official stance of TEGOVA.

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