

## RICS Consultation Draft

### proposed changes to Global Red Book for 2025

#### VPS3 - Valuation Approaches and methods:

This was previously VPS5 but has been renumbered to align with the new sequence of IVSs. Apart from minor rephrasing and updating of cross references the only change is the addition of the following three paragraphs:

- 6 *In some cases a valuer may need to report and document why a valuation method has not been used.*
- 7 *Valuers are encouraged to be analytical and to select and use valuation methods that support more in-depth analysis where appropriate. Valuers must not select and use valuation methods purely on the basis that they are methods they have always used previously for similar valuation assignments – there must be an appropriate rationale for the selection.*
- 8 *There has been a trend in some markets towards greater interest and use of growth explicit valuation methods, including growth explicit discounted cash flow (DCF) methods. Use of such methods is not mandated but encouraged in appropriate circumstances. Further supporting information and a global practice information can be found at the RICS Discounted cash flow (DCF) valuation hub.*

**Our Comment:**

We agree that the situation described in 6 could arise but it would be rare for a valuer to depart from the normally accepted method and then have to justify it. It would be better to focus on what the valuer should normally do. VPS6 – Valuation Reports 2.2 I) requires the valuer to make reference to the method(s) applied and the inputs used, unless it has been agreed with the client that this information is not required.

We have no comment on the proposed 7 and 8. If members are puzzled by the reference to the RICS Discounted Cash Flow hub, it is web page which has links to the 2023 Guidance Note and other articles and training material. Presumably this will be hyperlinked in the final version.

Paragraph 4, carried forward from the existing standards, has the following wording at the end:

*“...in relation to the assumptions adopted.”*

**Our Comment:**

This is an error. According to the Glossary an assumption is “A supposition taken to be true...that does not need to be verified by the valuer”. The valuer should not be making assumptions about inputs into the method without verification. The correct wording should be: *“... in relation to the inputs adopted.”* Inputs should be investigated and although there may be some, for example a comparable, which cannot be verified, the valuer should investigate them as thoroughly as possible before adopting them.

### **VPS4 - Inspections, investigations and records:**

This is currently VPS2 but has been renumbered to match the sequence of standards in the new IVS. The changes to sections 1 and 2 are minor, mainly updating cross references. Section 3 – Valuation Records, has been rewritten and contains more detail than the existing.

**Our Comment:**

Although section 3 contains more detail there is nothing that significantly changes what members should be doing under the existing standard.