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IVSC Standards Review Board
By email:
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Dear Sirs

Exposure Draft – "IVS Additional Technical Revisions 2021"

We have pleasure in enclosing our response to the Exposure Draft (ED).

The first question raised by the publication of this ED is the reference to it being of "additional" revisions. This implies that previous revisions have been proposed. What are these and where can the consultation on these be found?

The two major changes proposed are to the purpose of the IVS and the significant extension of the Glossary. We do not agree with either of these for reasons made clear in the attached response. We also draw attention to the following issues which we consider should also be addressed in the next IVS update:

1. A major problem is the continued designation of material that was previously non mandatory as either mandatory or "presumptively mandatory". In the past some VPOs have argued that the IVSs should contain no application guidance to support the mandatory principles. Examples can be seen by perusal of the Comment Letters received on the 2014 Agenda Consultation on the IVSC website. We do not support this view as many countries that use the IVS, or who should be considered as potential users, have neither the infrastructure nor the resources to develop appropriate guidance. The policy adopted by the IVSC in 2017 of removing guidance by making everything in the standards mandatory or "presumptively mandatory" does not solve the problem, it exacerbates it. Not only has all previous guidance been retained and turned into mandatory standards, but it has also been significantly extended. IVS 104 and IVS 105 are the most egregious examples. This can only serve to restrict the adoption of the standards as any VPO or other organisation considering adoption is not free to adapt guidance in the IVS to make it relevant to their jurisdiction or the markets in which they operate.

2. References throughout the ED are to the proposed changes being in the standards effective from January 2020, but the changes being made will not be in that edition. This highlights ambiguity caused by not having a clear identifier for each edition. The reason given for removing the year of publication as an identifier was that the IVS may be updated more frequently than annually. That at least two years are likely to have elapsed since the edition effective from January 2020 was published and the finalisation of the revisions currently proposed illustrates the impracticality of this. Users of the IVS need clarity as to the frequency of updates and the dates for each stage of the review process, a good example being the two year cycle of updates adopted by the Appraisal Foundation in the USA. However, unlike USPAP which is only mandated for use in a single country, the effective date for each edition of IVS can only be determined by the organisation adopting the standards. It is not something which IVSC

can control. All organisations have different adoption processes and many require approval or endorsement of each new edition. We therefore recommend reverting to a simple identifier for each update, such as an edition number or year of publication.

3. An issue that needs urgent attention, but which is not addressed in the ED, is to clarify what an assumption is in the context of valuation and how this differs from a special assumption. Chris Thorne recently wrote to the Chairman of the Tangible Assets Board drawing attention to some of the incorrect usage or lack of clarity in the existing standards, with recommendations for improvements. A copy of this is included as Appendix 2 of the attached response. An additional problem not mentioned in that document is the designation of some assumptions as "premises of value" which illustrates confusion by the authors of the standards as to what a valuation assumption actually is.

4. In the document at Appendix 2 problems with IVS 103 Reporting and IVS 410 Development Property are also highlighted.

Finally, the new "Core Principles of Valuation Standard Setting" confirm that there should be a transparent process for reviewing the standards. This involves not only showing all responses received promptly on the project page of the website but also the summary of the responses presented to the Board, a record of the Board's examination of these and explanation of the decisions made, especially where opposing views were expressed. Other standard setters provide all this information and advance notice of the decision-making board's meetings, together with the agendas and significant papers to be discussed. According to the IVSC website, there have been no meetings of any standard setting board since March 2020 and none are scheduled. The decision-making process for the development of this ED and for its future progression is therefore totally obscure.

The IVS can only succeed through achieving broad global consensus, and consensus can only be achieved if the constituency of potential users understands why and how the IVS have been developed.

We are willing to discuss any points raised in this letter or the attached response.

Yours faithfully,

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Response to Exposure Draft

Additional Technical Revisions 2021

In this response we comment on the proposed revisions to each part of the standards highlighted in the Exposure Draft (ED) starting with the IVS Introduction on Page 7.

1. IVS Introduction

The first subheading "Glossary Excerpts" and the following paragraph referring to proposed changes to the Glossary are presumably misplaced.

It is explained in the preamble to the ED that the "Core Principles "proposed to be included in the Introduction to the IVS were agreed between representatives of the IVSC, The Appraisal Foundation (TAF) and the Appraisal Institute of Canada (AIC). It is not explained why other professional organisations or standard setting organisations in membership of the IVSC were not involved in these discussions which concern the fundamental purpose of the IVS, and even of the IVSC.

Question 1.1: Are there any revisions or additions that you would make to the Core Principles of Valuation Standard Setting? If yes, please provide full details of the recommended revisions or additions, together with your reasoning for the proposed changes.

Yes. We set these out for each of the sub-headings in the ED below

Purpose/Objective:
We strongly disagree with the stated objective. While AIC is a professional body which sets standards for and regulates the conduct of its members, both TAF and IVSC are not. The IVSC and TAF have no role in certification or regulation of individual valuers. It is not within their power or remit to set standards for the conduct or behaviour of individual valuers or to enforce compliance with the IVS or USPAP respectively. Ever since the IVSC came into existence there has been tension with many VPOs arising from their perception that IVSC is seeking to establish itself as a supranational regulator or to direct how individual VPOs regulate their members. Because of these concerns, the 2011 IVS removed the Code of Conduct that had appeared in earlier editions together with all references to "the valuer" in the parts of the standards designed for mandatory application. The suggestion that IVSC has the objective of establishing appropriate requirements for valuers will only refuel these concerns. It reveals a continuing lack of clarity as to how the IVSC relates to professional bodies and others responsible for valuer regulation from which it needs support if the IVS are to be adopted more widely.

The appropriate objective should be to set standards for <u>valuation</u>, i.e. standards for the process of accepting, undertaking and reporting a valuation, not for the certification or conduct of valuers. If this distinction seems unimportant, examples in other professions with which have had greater success in adoption of their standards globally should be instructive. An obvious example is the International Accounting Standards Board, which sets standards for financial reporting, not for the accountants who might be involved in preparing those financial reports.

Valuation Standards
We agree with this as a description of what valuation standards should be.

Development and Revisions of Standards
We wholeheartedly agree that standards need to be set by a transparent process with appropriate exposure of drafts and other consultations. However, we regret to note that the IVSC has regressed on transparency in recent years, as standards board agendas, meeting papers and minutes are no longer publicly available. In spite of indications to the contrary in the invitations to comment, neither are all comment letters on exposure drafts consistently posted on the relevant project pages.

Jurisdiction
The statement "Departures from the standards to comply with legislative and regulatory requirements that are in conflict with the standards are allowed" is another example of the IVSC lacking clarity as to its role as a standard setter. The IVSC has no power to require anyone to use its standards so how can it stipulate when they do not apply or when departures are allowed? It should indicate when its standards are intended to be used (i.e. what they are designed for), and that they are subject to any legislative or regulatory requirements. Those with the competency to adopt and enforce the use of the IVS can decide whether they should be adopted in their entirety or if specific amendments are required because of laws or regulations governing certain valuation purposes.

Question 1.2: Are there any revisions or additions that you would make to the Core Principles of Valuation? If yes, please provide full details of the recommended revisions or additions, together with your reasoning for the proposed changes.

The first two items listed as "Core Principles of Valuation" - Ethics and Competency - are applicable to those responsible for producing a valuation but are not principles of valuation in themselves. The confusion between the role of the setter of standards for the valuation process and the role of those responsible for the accreditation, conduct and regulation of individual valuers is again evident. While we do not deny that having a valuation undertaken by a competent valuer acting ethically is essential for the proper application of valuation standards, these are not matters over which a global standard setter can claim authority. They should not be muddled with principles that are components of the valuation process, in other words the specification for the valuation should be separate from any requirements applicable to those who carry out the valuation. Previous editions of the IVS have indicated that it is expected that valuations under the IVS will be undertaken by persons with the necessary competency and objectivity, but have not attempted to include details of these for the reasons discussed in our response to Question 1.1

There are grammatical issues with some of the other "Principles of Valuation" identified, but at this stage they are of secondary importance to the proper recognition of the principles that should be addressed in a set of valuation standards.

2. Glossary

Our overall comment on the Glossary is that many of the definitions proposed, and some of the existing definitions, are inconsistent with the introductory statement in 10.2 that the Glossary does not attempt to define basic valuation, accounting or finance terms.

It is apparent the IVSC is falling into the trap of over definition. The Glossary in the IVS should be limited to those words or terms that a) are used in a way that requires their normally understood meaning to be clarified or restricted for the correct application of the standards and b) are used across a number of different standards. Any word or term used with a specific meaning requiring clarification but which appears in only one standard should be defined in that standard and only applicable to that standard.

We have experienced the problems caused by over definition in the IVS and other standards. The two most common are:

1. If the Glossary requires certain words or terms to be used with a very specific meaning across the whole of the IVS, this overreaching definition may not be compatible with the required meaning in the context of a particular standard. This restriction on the use of how words are used in different contexts often leads to sub-optimal wording being used to avoid conflicts with the definition. This can hinder comprehension of the standards and their correct application.
2. It creates problems in translation into languages other than English. Often the purpose or objective of a requirement in the IVS does not involve a direct word for word translation but is better expressed using phraseology used and understood in the alternative language. A mandatory definition in the standards does not provide the necessary flexibility. We have seen a number of translations back into English from a translated version of the IVS where key concepts are almost unintelligible because the intended meaning of the original was not understood and the translation made word by word.
3. The purpose of the IVS is not to be an encyclopaedia of valuation terms used around the world. Its purpose should be to create and maintain principles for the conduct of a valuation for various defined purposes, not to restrict the words that best explain those principles in different languages and cultures.
4. Alternative terms or definitions that might be used to describe the same concept in different standards should also be avoided. The IVS should have just one term and use this consistently through the IVS. It is a fact that alternative words or terms are used in some existing national standards to describe the same concept. The IVSC can play a useful role in developing a glossary of commonly used alternative terms for concepts in the IVS in different markets and countries, but this should not be part of the IVS.

For these reasons the number of definitions in a Glossary intended to apply to the whole suite of standards in the IVSC should be kept to the absolute minimum required for the consistent application of multiple standards.

It is instructive that the AICPA has recently voted not to include the *International Valuation Glossary—Business Valuation* it helped to develop with a number of other VPOs in its Standards for Valuation Services, see article. It considers that problems would be created for its members by including this glossary in its mandatory standards, especially in relation to their liability in litigation. It instead intends to issue this glossary as a non-authoritative practice guide. These concerns about the consequences of including definitions beyond those that are strictly needed in standards designed for mandatory application will equally apply to valuers of other professional bodies in other jurisdictions.

We therefore strongly recommend that the IVSC recognises the problem caused by over definition in a set of standards intended for mandatory application and looks to minimise the number of definitions in the existing IVS Glossary rather than vastly increasing it. As proposed the extended Glossary will create yet another obstacle to the wider adoption of the IVS.

Question 2.1: Do you believe that IVS (effective 31 January 2020) should define the terms outlined above? If not, please discuss which additional definition(s) are not necessary and please provide your reasoning.

Mostly no. Appendix 1 contains both the existing Glossary and the proposed additions with our comments alongside each.

Question 2.2: Do you believe that there are any other definitions that should be included in the IVS Glossary? If so, please provide the term(s), the definition(s) together with the source, if a) applicable and b) your reasoning for why you think the inclusion of the additional definition is necessary.

There may be others but the criteria for inclusion must be strict, i.e. are they necessary for the proper understanding of the IVS and do they appear in more than one standard?

Question 2.3: Do you agree with definition provided for the new defined terms noted above? If not, please provide a revised definition and the basis for the definition.

Most of the proposed definitions do not meet what should be criteria for their inclusion. Where we consider a proposed definition can be improved this is indicated in our comments in Appendix 1.

3. IVS Framework

It is explained that a number of respondents asked for clarification on whether the framework equally applied to individual valuers as well as groups of individuals. This is another manifestation of the problems caused by the IVS trying to be a rule book for valuers. It should focus on the role it can fulfil, which is specifying components of a valuation that are required in any valuation on which reliance will be placed for decision making, together with any additions or modifications required for different asset types or valuation purposes.

The word “valuer” should be expunged from the IVS completely. It can say in the Framework that the IVS are expected to be applied by suitably qualified and regulated professionals but the IVS gain no additional credibility by attempting to stipulate who is subject to the standards. To use a sporting analogy, it should play the ball not the player. Neither is there any purpose in the IVSC trying to stipulate to what type of valuation the IVS apply, only to provide a standard suitable for the most common categories of valuation that are required. It is then for governments, regulators or professional bodies adopting the standards to stipulate when they are applicable. The IVSC can have no competency over when the standards should be used or who has to apply them. Attempting to suggest that they can does nothing to assist the wider use and adoption of the IVS around the world.

Question 3.1: Do you agree with the proposed revision to Section 20 Assets and Liabilities to incorporate present and future claims on asset and liabilities? If not please provide your reasoning.

Yes, although we do not see why the additional words are necessary as there is nothing in the current IVS that suggests the valuation of future claims is excluded.

Question 3.2: Do you agree with the proposed revisions to Section 30 Valuer to incorporate an individual or groups of individuals whether employed or engaged? If not please provide your reasoning.

No. See comments above and in Appendix 1 on the spurious proposal to define valuations undertaken by employed and external valuers differently.

Question 3.3: Do you agree with the proposed revisions to Section 50 Competence to incorporate groups of individuals whether employed or engaged? If not please provide your reasoning.

No, for the same reasons given in the response to question 3.2.

Question 3.4: Do you agree with the proposed revisions to Section 60 Departures and Limited Scope Engagements to include Limited Scope Engagements? Do you feel that some Limited Scope Engagements should be included in IVS (effective 31 January 2020), if not please provide your reasoning?

No. Creating a proposed category of "Limited Scope Engagements" is illogical and contradicts the principles of IVS 101. All valuations are limited in scope, so trying to create a separate category called a limited scope valuation is hardly beneficial to the clarity or purpose of the IVS. IVS 101 requires all valuation advice and the work undertaken in its preparation to be appropriate for the intended purpose, and further provides that any limitations or restrictions on inspection, enquiry or analysis in the valuation assignment must be identified. So if the limitations are such that a valuation appropriate for the intended purpose cannot be undertaken, any valuation that is provided will not be compliant with the IVS. There is no need for further complication.

If such a definition were introduced it would only lead to uncertainty and argument as to when a valuation may be termed a "Limited Scope Engagement", i.e. when do the limitations cross the threshold to be termed a "Limited Scope Engagement" but are not so severe that an IVS compliant valuation cannot be provided?

Additional Comment on Section 60
Although not part of the question, we note that further changes to the departure provisions in Section 60 are proposed. We agree with the proposal to delete the second and third sentences and the existing 6.2 as these simply restate what is said in the first sentence of 6.1.

If the purpose of the revised 6.3 (replacing the current 6.4) is to narrow the scope for departures, we consider it does the opposite. Currently it is stated that deviations from IVS that are not the result of legislative, regulatory or other authoritative requirements are not permitted. This is a clear statement, although we would prefer rephrasing to avoid the implications that IVSC is permitting other deviations. Replacing this with the proposed statement that "some Valuation Professional Organisations or Regulatory regimes may allow procedures which deviate from IVS… would not be compliant with IVS", is merely saying that if there is a voluntary deviation from the IVS a valuation would not comply with the IVS. This is a statement of the obvious.

Better would be:

6.3 Unless a departure from the IVS is caused by the need to comply with specific legislative, regulatory or other authoritative requirements, the valuation is not compliant with the IVS.

4. IVS 101 Scope of Work

It is proposed to include the term "valuation assignment" as well as "valuation engagement" in paragraph 10.1. It is suggested a distinction is needed between a valuation prepared by a valuer employed by the party commissioning the valuation and one that is not, with one being called an assignment and one an engagement.

Question 4.1: Should IVS (effective 31 January 2020) change Section 10.1 to refer to valuation assignment? If not, please provide your reasons.

No. We have previously made the point in our comments on the "Core Principles" that the IVS should be neutral as to who undertakes a valuation and specify only what is required for a compliant valuation. Introducing an unneeded distinction in the words used to describe a valuation based on the relationship between the valuer and commissioner is pointless and can add nothing but confusion. Using words that are near synonyms and used interchangeably elsewhere in the IVS and other literature to make an unneeded distinction is beyond arcane. It also shows little regard for users or potential users of the IVS for whom English is not their first language.

Question 4.2: Should IVS (effective 31 January 2020) change the words in parentheses within Section 20.1 (a) and (b) to refer to employed and engaged valuers.? If not, please provide your reasons.

No. See answer to question 1. The existing 10.2 should be deleted for reasons already explained.

5. IVS 102 Investigations and Compliance

It is proposed to remove the current section on compliance and introduce a section on valuation governance.

Question 5.1: Do you agree with moving Section 40 Compliance with Other Standards to the IVS Framework? If not, please provide your preferred location for this section together with your reasoning.

The question is inconsistent with the preceding explanation for this change. The explanation given is that the current section 40 is repetitive and unnecessary because the matters of compliance and departure are already covered in the Framework. The question asks if the current section should be moved to the Framework. We have never understood why a section on compliance was introduced into IVS 102 given that the original purpose of this standard was to describe the procedures that should be adopted in carrying out a valuation. If the proposal is to simply delete it, we agree. If it is to move it to the Framework, we do not agree.

Question 5.2: Are there any requirements within newly titled IVS102 Investigations and Governance, Section 40 Governance that you feel should be revised, added or removed? Please provide your reasoning for any suggested changes.

In principle we agree that governance, or management, of the valuation process , is something which the IVS should address. With the exception of (f) we do not disagree with any of the matters covered in the proposed section 40. However we do have concerns about its positioning and status. We deal with these points in turn:

1. Sub paragraph (f) references the current requirement in IVS 102 for adequate records to be kept of investigations, calculations etc. However, the codicil *"…includes a demonstrable*

understanding of the contractual and performance features of the unit being valued and how they are each addressed in the valuation." is unclear. The need to identify what is being valued is in IVS 101, and if it is considered that this needs to be expanded to specifically refer to the "contractual and performance features" of the asset this is where it should be done, not as part of governance.

2. While governance of the process sits slightly more logically with requirements for the investigations necessary for an IVS compliant valuation than the existing section 40, it something that should be in place before a valuation is started. Governance is one of the prerequisites required for delivery of a IVS compliant valuation alongside matters such as the need for professional objectivity and competence. We believe that this would also be better placed in the Framework. It could replace the existing section 30 "Valuer". As we have previously explained we do not believe that the IVS should be concerned with who carries out the valuations, only with what they produce. We are pleased to see that the proposed new governance text focuses on what is needed and not who does it.
3. The draft governance text uses the word "should" throughout. In the proposed revised IVS 500 it is indicated that proportionality is required when determining what is a suitable governance. In other words the same system will not be appropriate for all valuations that can be subject to the IVS. In normal usage "should" indicates that the action to which it applies is not compulsory, merely the most probable of a range of possibilities. However, a decision was made a few years ago to make "should" a defined term which, in the context of the IVS, means "presumptively mandatory" and that alternative actions may only be not rare but must also be justified and documented. This effectively makes it no different from "must" in the context of the IVS and has introduced the contradictory concept of mandatory guidance.

   While the considerations in (a) – (e) are all sound principles, the detail will necessarily have to vary depending on the type of asset, the purpose for which the valuation is required and the type of valuation provider. For example the governance structure that is appropriate for a firm providing multi billion valuations will be very different from one providing those of a few hundred thousand, but the IVS need to be capable of application to both. It therefore would be totally inappropriate to suggest that any particular governance framework is "presumptively mandatory". This problem arises elsewhere in the IVSs and is best addressed by removing or modifying the definition of what "should" means in the context of the IVS. An alternative would be to make it clear that the Framework does not contain mandatory requirements but guidance for the use and application of the standards.

6. Reporting

Changes are proposed to 10.1 to include reference to supporting information and that it applies to both "employed" and "engaged" valuers.

Question 6.1: Do you agree with the proposed changes to Section 10.1? If not, please provide your reasoning.

No. We have already made clear that the IVS should not refer to the valuer, let alone whether they are employed or engaged. Whether the IVS apply to any particular valuation is a decision for those who wish to adopt, whether that be a statutory regulator, a professional body or the commissioning party. The status of the valuer is irrelevant. The first suggested alteration, "*and/or supporting* *documentation*" is rendered redundant by the first part of the second alteration "*For the purposes of this section report also means supporting documentation that is used to provide a valuation.*"

7. Bases of Value

It is proposed to add a new section to the end of this standard describing what is meant by an "Allocation of Value" and some actions that should be taken in the preparation of such an allocation.

Our overall comment is that this is of marginal benefit to users. Allocation or apportionment of value is something frequently required for tax or financial reporting. This means that the exercise has to be carried out in accordance with the applicable legislation or financial reporting standard. While it is identified that the applicable legal or regulatory requirements have to be followed, this is common for many types of valuation and is implicit in the IVS anyway. An improvement to the section on Compliance in the Framework would be to explicitly state that the application of the IVS is always subject to any law or regulation governing the purpose for which the valuation is required, before stating that complying with such law or regulation under such circumstances is not a departure from the IVS. The remaining requirements are simply matters already required by the IVS anyway so add nothing.

Question 7.1: Section 220.1 states that allocation of value is the separate apportionment of value of an asset(s) on an individual or component basis. Do you agree with this statement? If not, please provide your reasoning and suggested revision to this section.

The words "…separate apportionment of value of an asset(s) on an individual or component basis." are ambiguous because an asset can be a component of a larger asset and individual and component are not clear alternatives. We suggest an improvement would be:

> *"Allocation of value is the apportionment of the value of an asset between its component parts."*

Providing examples would also be helpful, such as:

- Apportioning the value of real estate between the land and building, or the value of a building between its structural components and services.
- Apportioning the value a machine between its hardware and software.

It may also be appropriate to explain the distinction between allocating value to different components of an asset and valuing a collection of assets as a whole or as individual items, which is a question of lotting rather than allocation.

Question 7.2: Section 220.2 provides requirements for the valuer when allocating value. Do you believe that any requirements should be added or removed from this list? Please provide details of any suggested revisions together with your reasoning.

Yes, they should all be removed. Subject to our earlier suggestion that it would be helpful if the IVS explicitly stated in the Framework that compliance with applicable legal or regulatory requirements is always required, all these requirements are redundant. Those listed are required by IVS 1, IVS 2 and IVS 3 and are common to all other valuations under IVS. The section serves little purpose, and creates a potential future maintenance problem if the same requirements are repeated using slightly different words in different standards

Question 7.3: Should the valuer expressly state the primary reason for the sum of the value of the individual allocated components differing from the value of the assets on an aggregate basis as stated in 220.3? If not, please provide your reasoning.

No. Allocation means dividing an attribute of an item's whole between its parts. The only way in which the sum of the values of the individual components can differ from the value of the whole is if different lotting assumptions are made, for example the value of a production line is likely to differ from the total value of the individual machines. The confusion implicit in this question supports our earlier suggestion that this section can usefully make a clear distinction between allocation and lotting.

Question 7.4: Section 220 has been drafted to apply to all specialisms. Should additional Information be included within the Assets Standards for Business Valuation, Financial Instruments or Tangible Assets? If yes, please provide examples of the initial information to be include.

Absolutely not.

8. Valuation Approaches and Methods

It is proposed to add a fourth type of valuation approach, the "hybrid approach" and to introduce a new section on data management.

Question 8.1: Do you think that IVS 105 Valuation Approaches and Methods should include a section on the Hybrid Approach? If not, please provide your reasoning.

No. The problem this is trying to fix has been created by the opening paragraph on Valuation Approaches in earlier editions being changed. If this is reinstated it deals with the issue without the complication of introducing a fourth approach and having to explain or illustrate its application. We recommend that 10.1 be replaced with the following:

> *One or more valuation approaches may be used in order to arrive at the valuation defined by the appropriate basis of value. The three approaches described and defined in this standard are the main approaches used in valuation. They all are based on the economic principles of price equilibrium, anticipation of benefits or substitution. Using methods from more than one valuation approach is recommended where there are insufficient factual or observable inputs for a single method to produce a reliable conclusion.*
>
> *The three approaches are:*
>
> *(a) market approach,*
>
> *(b) income approach, and*
>
> *(c) cost approach.*

Question 8.2: Do you think that IVS (effective 31 January 2020) should include a section within the General Standards on Data Management? If not, please provide your reasoning.

Yes. However this is misplaced in IVS 105. Data collection and management is part of the investigation and processes that may be required in undertaking the valuation and therefore should appear in IVS 102, inserted between the existing sections 2.0 and 3.0.

Question 8.3: Do you think that valuers should consider the elements contained within Section 100.1 on Data Management in order to ensure the accuracy and appropriateness of the data? Are there any elements that you feel should be added or removed? Please provide your reasoning.

The principles are generally fine but should be rephrased to remove references to the valuer, and instead identify these as matters that are required or must be considered. However, data is used in all valuations, whether it be taken from a third party database or based on the valuer's own observations. We suggest the opening words be changed to: "Valuation *methods and* models require the use of data inputs,…".

Question 8.4: Section 100.2 provides examples of valuation data. Are there any examples that you feel should be added or removed from this list? Please provide your reasoning.

No data examples are provided in ED so unable to comment.

Question 8.5: Section 100.3 states that "Valuers involved with work that includes data must conform and demonstrate compliance to the appropriate legislative, regulatory or other relevant authoritative requirements for the handling of such data." Are there any instances where you feel that this is not the case, if so, please provide examples?

Again there is nothing wrong with the underlying principle, although this is already covered by IVS 102 20.4. If retained the principle should be rephrased to remove the reference to valuers and the suggestion that this only applies to valuations that includes data. To imply that there are some valuations that do not require data to support them is very misleading and undermines section 20 of IVS 102.

9. IVS 200 Businesses and Business Interests

Changes are proposed to section 20 to provide slightly more detail to clarify the scope of the standard.

Question 9.1: Do you agree with the revised scope of IVS 200 Businesses and Business Interests? If not, please provide your reasoning.

Yes.

Question 9.2: Do you think there are any other businesses or business interests that should be added to this scope? If so, please provide your reasoning.

No.

10. IVS 400 Real Property Interests

Amendments to section 20 are proposed to emphasise that a real property interest can arise from historic occupation or usage that is not necessarily defined by law and the inclusion of two small amendments to include matters relevant to agricultural land in the list of matters that should be considered.

Question 10.1: Do you agree with including the valuation of unregistered and communal land within IVS 400 Real Property Interests? If not, please provide your reasoning.

Yes.

Question 10.2: Do you agree with the proposed changes to Section 20.6 to provide additional clarification on the valuation of agriculture and land? If not, please provide your reasoning.

Yes.

Existing Glossary

0.1. Asset or Assets	Valuology's Comments
To assist in the readability of the standards and to avoid repetition, the words "asset" and "assets" refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the standard, these terms can be considered to mean "asset, group of assets, liability, group of liabilities, or group of assets and liabilities".	This is not a definition of asset but an explanation of how the word is used in the standards. This explanation is already provided in 20.1 of the Framework. Delete.
20.2. Client	
The word "client" refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (ie, when a valuer is engaged by a third-party client) as well as internal clients (ie, valuations performed for an employer).	"Client" should not be used in the standards. The status of the party for whom the valuation is being carried out is as irrelevant as who provides the valuation. The standards should be neutral as to uses them and deal only with the processes that should be carried out.
20.3. Intended Use	
The use(s) of a valuer's reported valuation or valuation review results, as identified by the valuer based on communication with the client.	How does this differ from the valuation purpose? One or the other should be used.
20.4. Intended User	
The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer based on communication with the client.	This is a useful definition
20.5. Jurisdiction	
The word "jurisdiction" refers to the legal and regulatory environment in which a valuation engagement is performed. This generally includes laws and regulations set by governments (eg, country, state and municipal) and, depending on the purpose, rules set by certain regulators (eg, banking authorities and securities regulators).	Unnecessary as the word is used in accordance with its common dictionary meaning
20.6. May	
The word "may" describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer's attention and understanding. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objectives of the standards.	Generally OK, but better if rephrased to remove reference to "the valuer" , for example "actions and procedures that need to be considered."

20.7. Must	
The word "must" indicates an unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.	Replace with "Must indicates an action that has to be taken for a valuation to comply with the IVS."
20.8. Participant	
The word "participant" refers to the relevant participants pursuant to the basis (or bases) of value used in a valuation engagement (see IVS 104 Bases of Value). Different bases of value require valuers to consider different perspectives, such as those of "market participants" (eg, Market Value, IFRS Fair Value) or a particular owner or prospective buyer (eg, Investment Value).	Unnecessary as the word is used in accordance with its common dictionary meaning
20.9. Purpose	
The word "purpose" refers to the reason(s) a valuation is performed. Common purposes include (but are not limited to) financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions.	Unnecessary as the word is used in accordance with its common dictionary meaning
20.10. Should	
The word "should" indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards. In the rare circumstances in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate.	This is extremely problematic as should is used throughout the standards to refer to actions that are not, or should not be, mandatory but instead designated as guidance. In normal usage "should" indicates that something is probable rather than definite. This definition makes it difficult to distinguish from "must". Better would be: "Indicates something that is generally expected but not mandatory if an alternative action may achieve the objective of the standards. If an alternative action to one described is taken, it must be justifiable."
If a standard provides that the valuer "should" consider an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not.	"Should" is replaced with "must" and then the paragraph moved beneath the definition of must, and the word "presumptively" removed.
20.11. Significant and/or Material	
Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context:	This is not a definition. There is no need to define either word as their usage in the standards is in accordance

• Aspects of a valuation (including inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgments about materiality are made in light of the overall valuation engagement and are affected by the size or nature of the subject asset. • As used in these standards, "material/materiality" refers to materiality to the valuation engagement, which may be different from materiality considerations for other purposes, such as financial statements and their audits.	with their normally understood dictionary definition. If it is necessary to explain what might be considered material or significant this better done in the context of the relevant standard than in an overall glossary. If what is considered material is discussed in the context of its use in the relevant standard this paragraph is also unnecessary.
20.12. Subject or Subject Asset	
These terms refer to the asset(s) valued in a particular valuation engagement.	OK
20.14. Valuation	
A "valuation" refers to the act or process of determining an estimate of value of an asset or liability by applying IVS.	Apart from this being the normally understood meaning of the word, it is also superfluous. The whole of the IVS is, or should, provide the specification for a valuation. If a valuation could be defined in a single sentence what is the point of the IVS?
20.13. Valuation Purpose or Purpose of Valuation	
See "Purpose".	Unnecessary as the words are used in accordance with their common dictionary meaning
20.15. Valuation Reviewer	
A "valuation reviewer" is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.	This definition is inappropriate as who does the review or the valuation is irrelevant. A definition for Valuation Review would be more appropriate: "The act or process of considering and reporting on a valuation undertaken by another party, which may or may not require the provision of another valuation."
20.16. Value (n)	
The word "value" refers to the judgement of the valuer of the estimated amount consistent with one of the bases of value set out in IVS 104 Bases of Value.	Unnecessary and potentially restrictive of the valuations for which IVS can be used . The bases defined in the IVS will not always be applicable.

20.17. Valuer	
A "valuer" is an individual, group of individuals or a firm who possesses the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.	Inappropriate. The standards are, or should be, for valuation, not who provides it. The word valuer should be avoided as much as possible in the standards. It is for others to determine who can provide an IVS valuation.
20.18. Weight	
The word "weight" refers to the amount of reliance placed on a particular indication of value in reaching a conclusion of value (eg, when a single method is used, it is afforded 100% weight).	We are aware that weight can cause difficulty in translation so there is a case for including it in the glossary. However, an alternative could be to use the word "relevance" in the standards instead. The example here is unhelpful. Weight in valuation terms generally refers to the relevance that can be attached to different inputs into a valuation method, not to the method itself.
20.19. Weighting	
The word "weighting" refers to the process of analysing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable.	Unnecessary if weight is properly defined.

Proposed New Definitions:

Automated Valuation Model (AVM)	**Valuology's Comments**
A system that provides an indication of value of a specified Asset at a specified date, using calculation techniques in an automated manner. An AVM may not meet the requirements of a Model as defined in this glossary.	Since this term is not used in either the existing IVS or the proposed "Technical Updates" it has no place in the IVS Glossary
Basis of Value	
The fundamental premises on which the reported Values are or will be based (see IVS 105 Valuation Approaches and Methods, para 10.1) (in some jurisdictions also known as standard of value).	Better worded as "The fundamental assumptions on which a valuation is based." Alternatives should not be mentioned –adding alternative terms which may be differently defined in other valuation literature can only be a source of confusion.
Cost	
The consideration or expenditure required to acquire or create an Asset.	Unnecessary as used in accordance with its normally understood meaning.

Discount Rate	
A rate of return used to convert a monetary sum, payable or receivable in the future, into a present value.	OK
Equitable Value	
This is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.	OK
Fair Market Value	
1. The Organisation for Economic Co-operation and Development (OECD) defines Fair Market Value as the price a willing buyer would pay a willing seller in a transaction on the open market. 2. For United States tax purposes, Regulation §20.2031-1 states: "The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts"	Both these definitions are irrelevant in a set of INTERNATIONAL standards, as are any other definitions of value set by law or regulation. The only bases that should be defined in the IVS are those which the IVSC has control. Apart from those set by governmental bodies or private contract being subject to change, there are simply too many for IVSC to list them all, and selecting a few implies that the standards are designed to be used only in the countries mentioned.
Fair Value (International Financial Reporting Standards)	
IFRS 13 defines Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	No place in the IVS, see above. If guidance on the application of the IVS to IFRS agreed with the IASB staff (formerly IVS 300) is ever reinstated this definition can be included in that document.
Investment Value	
The Value of an Asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as Worth).	OK, although alternative words should be avoided, so Worth should be deleted, or used instead of Investment Value
Limited Scope Engagement	
The act or process of determining an indication of Value with limitations in analyses, procedures, or scope that is not compliant with IVS (see IVS Framework, Section 60).	Not needed. Apart from in the explanatory notes and questions in the ED this term does not appear in the proposed revised standards. In any event the term and definition make no sense as all valuations have limits of their scope. IVS 101 requires the scope to be set out at the beginning of the assignment and this is subject to the overriding requirement that all valuation advice and the work undertaken in its preparation must be appropriate for the intended

	purpose. No further elaboration is needed.
Liquidation Value	
The amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation Value can be determined under two different premises of value (see IVS 104 Bases of Value, Section 80):	If this is to be defined, IVS 104 needs to be amended. Currently it incorrectly describes this as a basis of value. It is not. A liquidation sale is an assumption about the way in which a group of assets is offered for sale, and this assumption can be used with different bases of value, whether those are within the IVS or defined elsewhere.
(a) an orderly transaction with a typical marketing period; or (b) a forced transaction with a shortened marketing period.	These are two further assumptions that are not necessarily linked to the assumption of liquidation. Market Value assumes a proper marketing period so how does a typical marketing period differ from this? If a shortened marketing period is less than one which allows for proper marketing other considerations are necessary. The possible effect of combining different assumptions is a subject for discussion in IVS 104 but it cannot be reduced to a single definition.
Market Value	
The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	OK
Model	
A Model is a formalised system requiring variables, assumptions, judgements and equations to calculate the Value under a given Basis of Value (see IVS 105 Valuation Approaches and Methods, Section 90).	A formalised system of what?
Price	
The monetary or other consideration asked, offered or paid for an Asset, which may be different from the Value.	Totally wrong. A price in everyday life and even in the IVS is the price actually paid NOT a bid or ask price.
Social Asset	
Social Assets are assets or projects that exist primarily for the social benefit they provide. The value of these assets rarely accrues solely to the providers of capital.	These two definitions have no place in the IVS for the following reasons:

Social Value	• They are not used in the current IVS • Although the IVS has included Social Value as a possible future project for its agenda, until there is consensus that a) this is a suitable subject for a standard and b) that standard has been through due process, it is premature to second guess what may be an appropriate definition.
Social Value includes the social benefits that flow to asset users (social investment) and the wider financial and non-financial impacts including the wellbeing of individuals and communities, social capital and the environment, that flow to non-asset users.	
Synergistic Value	
The result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values. If the synergies are only available to one specific buyer then Synergistic Value will differ from Market Value, as the Synergistic Value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as marriage value.	We disagree with the highlighted section. The first sentence is adequate to define synergistic value. There is no need to say it is different from MV, which only serves to add an unnecessary distraction which does not help comprehension. Neither should the term "marriage value" be included. To the best of our knowledge this is a term used only in relation to UK real estate. It also has been subject to decisions in the courts which will not be applicable in many jurisdictions in which the IVS may be used.
Valuation	
The act or process of determining an opinion or conclusion of Value of an Asset on a stated Basis of Value at a specified date consistent with IVS.	Apart from this being the normally understood meaning of the word, it is also superfluous. The whole of the IVS is, or should, provide the specification for a valuation. If a valuation could be defined in a single sentence what is the point of the IVS? And why "opinion or conclusion"? One or the other is sufficient.
Valuation Approach	
In general, a way of estimating Value that employs one or more specific Valuation Methods (see IVS 105 Valuation Approaches and Methods).	The meaning of the words Valuation Approach and Valuation method are clearly explained at the beginning of IVS 105. Apart from being unnecessary, reducing this explanation to a concise definition risks misinterpretation.
Valuation Assignment	
The act or process of performing a Valuation for the Intended User(s) that is compliant with IVS. A valuation assignment is performed by an employed (internal) valuer (see IVS 101 Scope of Work, para 10.2a).	Both of these should not be defined terms. The proposed distinction between "assignment" and "engagement" is as confusing as it is pointless. It is confusing because the "intended user" defined earlier, is not necessarily the commissioning party and

Valuation Engagement	the distinction between an internal and external valuer is unclear. It is pointless as the whole purpose of the standards is (or should be) to specify how a valuation is undertaken. Whether that is by a valuer employed by the commissioning party or an external consultant is irrelevant.
The act or process of performing a Valuation for the Intended User(s) that is compliant with IVS. A valuation engagement is performed by an engaged (contracted/external) valuer (see IVS 101 Scope of Work, para 10.2b).	
Valuation Method	
Within Valuation Approaches, a specific way to estimate a Value.	The meaning of the words Valuation Approach and Valuation method are clearly explained at the beginning of IVS 105. Apart from being unnecessary, reducing this explanation to a concise definition risks misinterpretation.
Value	
Value is an opinion, not a fact. Value is an estimate of either the most probable monetary consideration for an interest in an Asset, or the present value of the economic benefits of holding an interest in an Asset, on a stated Basis of Value.	Value can be measured in many different ways using different assumptions. That is why the IVS defines different bases for the most common purposes for which valuations may be required and why there are many variations of these in different jurisdictions. To attempt to reduce “value” to a single definition will add nothing to help interpretation of these different bases, and is more likely to cause confusion.
Valuer	
A valuer is an individual, group of individuals, or individual within an entity whether employed (internal) or engaged (contracted/external) possessing the necessary qualifications, ability and experience to undertake a valuation in an objective, unbiased, ethical and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.	Unnecessary. The IVS is (or should be) about what is included in a valuation. The IVS do not and cannot specify what are the necessary credentials and qualifications for who undertakes valuations and therefore should not attempt to define them.
Worth	
The Value of an Asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as Investment Value	Delete – see Investment Value. Even though investment value may not be the best term for the concept, only one term should be used.

Issues with IVS published in 2019

Assumptions and Special Assumptions

Assumptions and special assumptions should not be listed together in the standards. There is significant confusion caused as to the difference between them and when their use is appropriate which I see in many of the files I audit or in discussions with valuers. These are distinct concepts used for different purposes.

Assumptions are matters that it is reasonable to accept as fact without specific verification. These are used in connection with agreed limits on the investigations made by the valuer into a range of matters that can affect value, eg title, condition, compliance with relevant regulations, veracity of information provided etc. They are also used to confirm that a reported value reflects certain facts and circumstances that apply to asset on the valuation date. Some examples of this are given in IVS 104 200.3.

Special assumptions change the circumstances on which the valuation is reported from those actually existing. Special assumptions should therefore be next to or part of the description of the valuation reported, not grouped with a list of things the valuer has not specifically verified but has accepted as being true.

I recommend the following changes:

IVS 101:

1) In 20.3 (g) add the following sentence "…or the basis explained. <u>Any special assumption on which the valuation is to be based must also be set out.</u> This requirement is not …"
2) The reference to "special assumptions" should be removed from 20.3(i) as should the cross reference to IVS 104.
3) In 20.3 (j) add the words "or assumptions to be made" after "undertaken.
4) Delete 20.3 (k)
5) Under separate subheadings (i.e. NOT the existing "assumptions and special assumptions") definitions and explanations of the use of each are needed. The Scope of Work / ToE is where these have to be agreed or provided to the client. My suggestions are:
    - **Assumptions**:
        i. Define: "Something accepted as true without specific verification."
        ii. Explain usage in conjunction with limits on investigations as examples.
        iii. Explain usage where confirmation of circumstances and facts of the hypothetical transfer is required. Some examples are currently in IVS 104 200.3.
        iv. Must be reasonable.
    - **Special Assumptions:**
        i. Define: "An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date."
        ii. Explain usage where different facts are to be assumed to the existing with examples.
        iii. Explain usage where assumption is one that would not be made by a typical market participant – e.g. that a property that is most buyers would think was probably contaminated is assumed not to be contaminated.
        iv. Must be reasonable.

I suggest the appropriate position for these new subsections is after the current 20.6.

IVS 102
The investigations that a valuer will make/are appropriate to make, will depend on the agreed assumptions. The current 20.6 needs to specially mention assumptions made as a consequence of the agreed limits on investigations.

A key omission is the need to consider the reasonableness or otherwise of all agreed assumptions in the light of the investigations made. There may be cases where the valuation cannot proceed without further investigation or verification unless a special assumption is made. An example is where the valuer has agreed an assumption can be made that the subject of the valuation is in good condition, but when they inspect it obviously is not. The valuer should not go ahead without consulting with the client. The agreed terms will need amending so that the valuer proceeds on the understanding that it is a special assumption that the asset is in good condition, or that the valuation is paused pending further investigations and estimates of the cost of repair have been obtained.

On a different matter, what has section 40 on compliance got to with Investigations? It's a bit late to be thinking about this after you have made investigations. Whether or not the standards are complied with or whether a departure needs to be identified, is a matter for the ToE /Scope of Work. Section 40 is also partly repetitive of section 60 in the IVS "Framework".

IVS 103
Removing every topic from the list of contents that needs to be addressed in a report which also appears in IVS 101 has lost an important distinction. The Scope of Work sets out what the valuer is intending to do. The report confirms what has been done. This will often require different narratives. This is particularly the case with investigations and associated assumptions. The report should confirm what investigation was made, what was found and whether the assumption proposed in the SoW remains reasonable.

My preference would be to reinstate the whole list of minimum report contents with appropriate adjustment of the explanatory text for each to reflect the difference between what was proposed and what has been found.

In line with my comments on IVS 101, Assumptions and Special Assumption should not be presented as conjoined matters but dealt with separately. In 103 it is especially important to stress that if any assumption set out in the scope may not be valid because of facts found or information received while undertaking investigations this must be mentioned in the report.

The current 30.1 (g) should include a requirement to state any assumptions or special assumptions that apply alongside the value provided.

IVS 104
Remove section 200 – these matters should have been covered by the amendments suggested above. Neither an assumption or a special assumption is a basis of value, and neither modifies the basis appropriate for the valuation purpose. Any assumption or special assumption made in conjunction with the reported value is confirming what is being valued, not the definition on which that value is based.

Existing inappropriate or incomplete references to special assumptions

There are a number of examples where the confusion over what is an assumption and what is a special assumption has crept into the IVS text. I highlight the following:

IVS 104
200.4 (a). this is not an example of a special assumption unless the property is i) not freehold and, ii) vacant possession is not available on the valuation date.

IVS 300
20.7 last sentence. The availability of complementary assets is only a special assumption if those complementary assets are not currently available. If a machine is valued in situ and is currently connected to, or used in conjunction with, complementary assets an assumption should be made to confirm the value is on the basis that these remain connected or available. The reference to 20.8 is also inappropriate as it neither describes nor provides an example of a special assumption. Assuming the status quo in a valuation is not a special assumption.

IVS 400
20.7 (d) This is not a special assumption unless there is clear evidence that contamination is probably present. If there is no reason for the valuer to suspect contamination (or any other problem or defect) then an assumption should be made that none is present if this is a reasonable assumption to make. If there is clear evidence of actual or potential contamination, e.g. because of current or known previous uses, a prudent buyer would not make this assumption so it would be unreasonable for a valuer to make it. A valuation may be provided on these circumstances on the "special assumption" that any contamination currently present had been satisfactorily remediated.

IVS 410
30.5 A forecast or assumption of future trading will be at "...specialised and sustainable levels" is not a special assumption unless this level is not one that a prudent buyer would assume, e.g. it depended on a possible future event which had not been confirmed.

IVS 103 Reporting

20.2: Although this makes it clear the standard does not require a particular form or format of report, in my experience many valuers use the "list" in 30.1 as a format for their reports. This often results in reports that present information in an illogical order with related matters being separated. This obstructs understanding and as a result can result in failure to meet the requirements in 10.1. The list in IVS 103 has never been intended to be used as a rigid report format, and there is no requirement to present these matters in the order they are listed in the standard. It would be helpful if this could be emphasised.

30: This purports to provide a mandatory list of subjects that need to be included in a valuation report. However, 30.1 (a) just refers back to IVS 101 20.3. and then 30.1 (b) to (h) add seven additional requirements. There are two problems:

1. The seven additional items include the intended use and assumptions made, both of which are covered in the referenced list in IVS 101. It is therefore unclear whether these differ and, if so, how?
2. As explained under the remarks above on assumptions and special assumptions, there are problems caused by simply cross referencing IVS 101 in 30.1(a). Many of the narratives provided for each of the items in IVS 101 20.3 (a)–(h) are not applicable or appropriate for a report. An equivalent list needs to be in IVS 103 with a narrative for each explaining what needs to be provided in a report.

Gross Development Value

IVS 410
40.1 The term "gross development value" is introduced here and used once more in 90.10. Although it is a term commonly used colloquially it has different meanings in different markets, and in the software frequently used by valuers. It can include or exclude purchaser's costs, taxes, and

even profit. For this reason, the term was avoided by the IVSC Working Group that produced the 2015 Application Guidance for Development Property. Its use in 40.1 is unnecessary. The whole of 90.10 is superfluous as a more precise definition of the concept is provided in 90.8.

Multiple Methods for Development Property

IVS 410

120.2 This is seriously flawed for a number of reasons.

1. Because "should" is now defined as "presumptively mandatory" this is effectively an instruction that two methods must be used when valuing development property unless the valuer has good reasons not to. This contradicts IVS 105 10.4.
2. The standard identifies that two methods are mainly used to development property. If a reliable valuation of a property designated for, or in the course of, redevelopment could be made using the market approach there would be no need to use the residual method. Requiring a method to be used which had been rejected as unreliable makes no sense whatsoever.
3. The requirement is extended to valuations for purposes other than secured lending. If this is the case why is it in a section designated "Special Considerations for Secured Lending"?

It is noted that the RICS 2019 Guidance Note *Valuation of Development Property* partially references this clause in 2.3.4 but refers to it as advice to apply both methods where possible. This overlooks the "presumptively mandatory" status that has been conferred on a paper originally issued by IVSC as Application Guidance (a problem that applies generally throughout the current IVS). The RICS guidance also indicate that it is important to cross-check the outcome of a residual calculation with comparable market bids and transactions where they exist, see point 2 above.

Chris Thorne

Jan 2021.