

## RICS Consultation Draft

### proposed changes to Global Red Book for 2025

#### VPS5 - Valuation models:

This is a completely new standard introduced because the IVS now include a separate standard for “models” as well as one for approaches and method. The entirety of the new RICS VPS5 consists of the following:

*For the first time, IVS includes a standalone section covering valuation models – IVS 105. It is not the intention to fully repeat that here but rather provide additional context for RICS members.*

- 1 IVS defines a valuation model as ‘a quantitative implementation of a method in whole or in part that converts inputs into outputs used in the development of a value’. This is distinct from a valuation method, defined as ‘within a valuation approach, a specific technique to conclude a value’.*
- 2 A valuation model implements a valuation method that sits within a valuation approach (cost, income or market).*
- 3 A valuer selects, uses and appropriately documents the valuation model. Documentation should be sufficient to describe why the valuation model(s) were selected and considered by the valuer applying professional judgement (IVS 105 paragraph 50.02).*
- 4 Similar to valuation methods, valuers are responsible for adopting (and as necessary justifying) the valuation models used to fulfil individual valuation assignments.*

**Our Comment:**

The fourth paragraph says it all. This standard does not add any additional requirements to those an RICS valuer should be complying with at present.

#### VPS6– Valuation reports:

This is currently VPS3 but has been renumbered to match the sequence of standards in the new IVS. A number of changes are proposed. While some of these are just tidy up of language or updating cross references we highlight the following:

Paragraph 1.3 proposes extending this VPS to valuations carried out where the valuer is employed by the “Client”.

**Our Comment:**

As indicated in our comments on PS1 and VPS1, we consider the proposal to include valuations undertaken by a valuer for their employer within the scope of the VPSs to be wrong, so we see no need for the proposed 1.3.

The list of minimum report contents at 2.1 now includes a requirement to include sources of key data and inputs used.

**Our Comment:**

The existing standard requires in VPS3 2.2 (h) that the nature and source of any information relied on must be included in the report so adding the words “key data and inputs” makes no practical difference.

The list at 2.1 has “Environmental , social and governance factors added to the end.

**Our Comments:**

We refer to our comments on VPS1, which apply equally here.

In the “Implementation” section for 2.2 a) the paragraph containing the requirement to state whether the member is acting as an internal or external valuer as defined by RICS or that they meet any other applicable criteria has been removed.

**Our Comment:**

While we agree with the removal of the RICS definitions of internal and external from the Glossary, the need for the valuer to confirm in the report that they meet any other regulatory or legal criteria for their appointment remains. We therefore consider that this part of the existing requirement needs to be retained.

A paragraph has been added to the “Implementation” section of 2.2 h) “Nature and sources of information relied on...”.

- 5 *The rationale for the valuer's opinion of the general calibre of the important data, inputs, modifications and assumptions must be documented in the report by the valuer. This should contain sources, procedures, the valuer's reasoning for selecting to utilise particular data, assumptions, modifications and inputs.*

**Our Comment:**

While we do not consider the addition of the need to include reference to key data and inputs relied on in the main list of requirements to be significant, this additional detail goes beyond simply confirming the nature, source and verification of data relied on. We have concerns that will lead to unnecessary complication in reports which may be both unnecessary in the context of the instruction and confusing for many clients. We consider the current “Implementation” section is sufficient, and this additional paragraph is not needed.

There are changes proposed to the “Implementation” commentary for 2.2 j) regarding any publication of the report or a published reference to it. These simplify the existing text and clarify that any publication or reference to it should be agreed with the client.

**Our Comment:**

While we have no problem with the text changes proposed, much of this relates to the terms of engagement and not the contents of the report. Most of the content would be more appropriately integrated with VPS1 3.2 m).

A new section 2.2 q) is added on Environmental, social and governance factors. This extends to two pages so we have not reproduced it here. In summary it is an extended cross reference to other content in either the Red Book or the IVS to matters that valuers need to consider and reflect in their valuations. It contains no specific requirements relating to report content.

**Our Comment:**

Our comments on the addition of ESG to the end of the list of matters to be covered in the Terms of Engagement in VPS1 apply equally here. It should already be clear to any RICS Valuer that the extent to which ESG factors impact on the value of an asset is an essential consideration and any relevant information or data on these factors is therefore included under 2.2 h). It is NOT a bolt on extra.

This proposed new section also has no requirements relating to report content. It starts by referencing VPS4 paragraph 1.5 which in turn cross references asset specific ESG factors in VPGAs and also the lists of ESG factors in the Appendix to IVS 104. Notwithstanding these compound cross references it then reproduces some of these lists.

**We consider:**

- a) The VPS dealing with report content should only require reference to ESG factors where these are relevant to the value being reported.
- b) All that is required is for a simple amendment in 2.2 h) confirming that information and data on relevant ESG matters is included in its scope with a cross reference to the relevant VPGAs, AND standalone RICS guidance such as "Sustainability and ESG in commercial property valuation and strategic advice.
- c) This proposed section should be deleted.