Response to RICS Red Book Consultation 2001

The following are the changes to the current Red Book 2020 proposed by RICS in highlighted text, followed by our comment, if any, on each.

Preface

This updated global edition of the *RICS Valuation – Global Standards*, or the RICS 'Red Book Global' as it has become widely known, reflects, among other things, the recent changes made and incorporated into the *International Valuation Standards* (IVS), as well as continuing progress in the development of international standards for ethics and for measurement. Other refinements include:

- articulating in more detail the need for clear, unambiguous and documented terms of engagement when members apply any exceptions to VPS 1-5 under **PS 1 section 5**, *Exceptions*
- more detailed commentary on matters relating to sustainability/resilience and environmental, social and governance (ESG) in VPGA 8, *Valuation of real property interests*
- improving and/or clarifying some of the existing Red Book Global text in the light of feedback, experience and evolving needs.

No Comment

Part 1: Introduction

3 With its focus on practical implementation, this updated edition of the *RICS Valuation – Global Standards*, commonly referred to as the RICS Red Book Global, applies the latest international standards and supplements them with additional requirements and best practice guidance that, when combined, provide the highest levels of assurance to promote and maintain public trust in valuation professionalism and quality.

At its heart this volume adopts and applies the *International Valuation Standards* (IVS) published by the International Valuation Standards Council (IVSC). The IVS consist of mandatory requirements that *must* be followed in order to state that a *valuation* was performed in compliance with it. Some aspects of the standards do not direct or mandate any particular course of action, but provide fundamental principles and concepts that must be considered in undertaking a *valuation*.

The proposed amendment only serves to draw attention to the inherent confusion that has developed over the relationship between the IVS and the RICS standards. It is now emphasised that the IVS contain mandatory requirements which RICS have adopted and therefore apply to members. However the RICS has its own equivalent set of requirements that are similar but not identical to the IVS. It is not indicated which take precedence in the event of a conflict, even if this is just a case of the exact form of words used creating nuances in one that do not exist in the other.

More significantly the RICS quite properly designates much of the Red Book content as being guidance, i.e. it is considered good practice in most situations but is not mandatory in all as no standard can anticipate every fact pattern that a valuer may encounter. In contrast the IVS has moved in recent years to effectively make all its content mandatory. It has decided to restrict the meaning of the word "should" to mean "presumptively mandatory". The IVS glossary states that 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. It goes on to indicate that such circumstances will be rare. In contrast the VPGAs in the Red Book are clearly stated not to be mandatory.

This confusion is unhelpful to members and clients and needs to be addressed. A simple short term fix would be to state that in the event of a conflict between the two the RICS standard takes precedence for RICS members.

This problem is also indicative of a more fundamental need to address the RICS's relationship with the IVS. The IVS now represents, or aims to represent, a much wider spread of valuation activity than is typically undertaken by RICS members. Quite properly the influence of other valuation disciplines and groupings on the IVS is growing. However, it cannot be assumed that the IVS will always continue to represent the requirements of the valuation activity typically undertaken by the majority of its members. Other organisations that have "adopted" the IVS only do so after a process of proper scrutiny to ensure that the standards, or amendments thereto, are acceptable and applicable in the markets in which they operate.

The current RICS policy of unquestioning acceptance of every change in the IVS and imposing it on members without proper consultation and due process is a recipe for problems. These have the potential to threaten the global status and hard earned reputation of the Red Book, and by extension RICS members. The statement in the Covering Note that the changes to IVS 2020 are not open to comment in the consultation, even though RICS implies these are mandatory for its members is simply unacceptable to many members and unsustainable as a policy.

Effective date, duration and amendments to the International Valuation Standards

26 The International Valuation Standards reproduced with kind permission from IVSC in full in Part 6 are those approved by the IVSC Standards Board with an effective date of 31st January 2022.

The IVSC is a standards creator but has no authority to enforce anyone to use its standards, let alone from when any change becomes effective. There is no need for RICS to undertake rushed consultations just to meet self-imposed deadlines to match those in the IVS. See previous comments on the need for RICS to put in place a proper due process before accepting any change in the IVS.

Part 2: Glossary

basis of value – A statement of the fundamental measurement *assumptions* of a *valuation*. In some jurisdictions, the basis of value is also known as t he 'standard of value'.

environmental, social and governance (ESG) – The criteria that together establish the framework for assessing the impact of the sustainability and ethical practices of a company on its financial performance and operations. ESG comprises three pillars: environmental, social and governance, all of which collectively contribute to effective performance, with positive benefits for the wider markets, society and world as a whole. Although ESG principally refers to companies and investors, ESG-related factors are also used to describe the characteristics and, where relevant, operation of individual assets. It is used throughout these standards in this context.

sustainability – *Sustainability* is, for the purpose of these standards, taken to mean the consideration of matters such as (but not restricted to) environment and climate change, health and well-being, and personal and corporate responsibility that can or do impact on the *valuation* of an asset. In broad terms, it is a desire to carry out activities without depleting resources or having harmful impacts.

There is as yet no universally recognised and globally adopted definition of '*sustainability*'. Therefore, *members* should exercise caution over the use of the term without additional appropriate explanation. In some jurisdictions, the term 'resilience' is being adopted to replace the term 'sustainability' when related to property assets.

Sustainability may also be a factor in environmental, social and governance (ESG) considerations.

> We disagree with the sentence added to the definition "basis of value". A mistake the IVSC made in the past was to allow multiple definitions for the same concepts, usually those favoured by the RICS and one or other of the USA bodies. This made it often read like a British English/American English valuation phrase book. This was not only unnecessarily confusing for speakers of other languages but displayed an Anglophone bias which held back the acceptance of the standards by speakers of other major languages. Having addressed this in 2010 the IVS have since regressed. There is no need for RICS to follow suite.

PS 1 Compliance with standards where a written valuation is provided

4 Compliance with jurisdictional or other valuation standards

4.6 Departures from the IVS to comply with legislative and regulatory requirements that are in conflict with the standards are allowed. In such circumstances, a valuer may still state that the valuation has been performed in accordance with the IVS.

> The proposed addition of PS1 4.6 creates yet another conflict. PS1 6.3 already states that valuation provided in compliance with statutory, legal or other authoritative requirements which require something different from the Red Book is not a departure – but requires that to be made clear. So which is it? Does the valuer rely just on the proposed 4.6 or also have to explain how the "authoritative requirement" differs from the Red Book as well?.

VPS 1–5 exceptions

5.5 The circumstances in which valuers are instructed to provide valuation reports and advice vary widely and may, in some cases, take several years to reach a conclusion. During this time, the instruction may be significantly amended – resulting in an instruction that began as an 'exception' ceasing to be so. Valuers should always focus on the actual task in hand at a specific point in the valuation process. If a valuer's role changes during this process, it is imperative that their actions are transparent, the application of Red Book Global at any given point in time is fully documented and the client is made aware of any change to the valuer's role or undertaking.

5.6 Even though the content of VPS 1 may not be mandatory in 'exception' cases, it cannot be too strongly emphasised that terms of engagement are still required and that they must be clear, unambiguous and appropriately documented (PS 2 section 7 paragraphs 7.3 and 7.4). This is as much in the interests of the valuer as of the client, as it ensures that there is no ambiguity about what is being requested and what is being supplied.

5.7 Terms such as 'quasi–Red Book' or 'partial Red Book' – or even 'non-Red Book' – must not be used in terms of engagement or reporting. Any appropriate exceptions to VPS 1–5 should be explicitly stated and explained in the terms of engagement and valuation report.

> 5.5 is a curious addition. If it is felt necessary to explain that a job that started outside the scope of the Red Book could then come within it due to the instruction being amended, this can a) be more simply explained and b) correctly belongs in VPS 1 as it follows from a change in the instructions.

6 Departures

6.5 The circumstances in which a valuer can make a departure from the IVS are as described in Section 60 of the IVS Framework.

> If this paragraph is included then the proposed 4.6 becomes unnecessary..

PS 2 Ethics, competency, objectivity, and disclosures

2. Member qualification

2.1 Members and firms must ensure that services are provided by competent individuals who have the necessary expertise. The test of whether an individual is appropriately qualified to accept responsibility for, or supervise the inputs into, a *valuation* involves satisfying the following criteria:

> No comment.

VPS 2 Inspection

1.5 VPGA 8 provides detailed commentary on matters evident or to be considered during inspection of real estate, including those matters that fall within the general heading of 'sustainability and ESG matters'. Such factors are commonly important in terms of market and societal perception and influence, and valuers should have proper regard to their relevance and significance in relation to individual valuation assignments.

2.3 The valuer must obtain from the client information of current or anticipated changes in rental and other relevant income from investment properties, and any material changes to the non-physical attributes of each property, such as other lease terms, planning consents, statutory notices and so on. The valuer must also consider whether any sustainability and ESG factors that affect the valuation are likely to have altered.

3.3 Valuers should collect and record appropriate and sufficient sustainability and ESG data for the valuation assignment.

The last sentence in VPS2 2.3 "The valuer must also consider whether any sustainability and ESG factors that affect the valuation are likely to have altered" makes little sense. Altered since when? It either should be amended to read

"The valuer must also consider whether any sustainability and ESG factors affect value." or

"The valuer must also consider whether any sustainability and ESG factors that affect value are likely have altered since ?????. If the author had some specific past reference point in mind this should be included.

Alternatively, something like "existing rents were agreed" would work in certain circumstances

VPS 3 Reporting

2.2 (l) 3 In the case of assets or liabilities that are interests in real estate, attention is drawn to VPS 2 paragraph 1.5 and the fact that, wherever appropriate, the relevance and significance of sustainability and ESG matters should form an integral part of the valuation approach and reasoning supporting the reported figure.

No comment

VPS 4 Bases of value, assumptions and special assumptions

1. Bases of value

The valuer must ensure that the *basis of value* adopted is appropriate for, and consist ent with, the purpose of the *valuation*.

If one of the *bases of value* defined in these global standards (including IVS-defined bases) is used, then it should be applied in accordance with the relevant definition and guidance, including the adoption of any *assumptions* or *special assumptions* that are appropriate.

If a *basis of value* not defined in these global standards (including IVS-defined bases) is used, it must be clearly defined and stated in the report, which must also draw attention

to the fact that it is a departure if use of the basis in the particular valuation assignment is voluntary and not mandatory.

A valuer can only depart from the IVS as described in section 60 of the IVS Framework.

This new sentence is not only unnecessary as departures from IVS are already covered by the proposed PS1 6.5, but it also has potential to create confusion. The RICS states in PS1 6.3 that the voluntary use of a basis of value not specified in VPS 4 is not encouraged, and RICS will always regard such voluntary use as involving a departure from the Red Book The current VPS4 1 seems to extend the bases specified in VPS4 to include those defined in the IVS.

However, IVS 104 merely states that "Compliance with this mandatory standard requires a valuer to select the appropriate basis (or bases) of value and follow all applicable requirements associated with that basis of value, whether those requirements are included as part of this standard (for IVSdefined bases of value) or not (for non-IVS-defined bases of value).

Using a non IVS defined basis is not therefore a departure from the IVS. Whether RICS intends to allow any defined basis whether it be in the Red Book, IVS or neither (which surely contradicts PS1 6.5) is a moot point but referring to the departure provisions of the IVS in this context makes no sense at all.

Part 5: Valuation applications

Introduction

Members are expressly reminded that the IVS include the following IVS Asset Standards, the full text of which is reproduced in Part 6 of these global standards:

- IVS 200 Businesses and Business Interests
- IVS 210 Intangible Assets
- IVS 220 Non-Financial Liabilities
- IVS 230 Inventory
- IVS 300 Plant and Equipment
- IVS 400 Real Property Interests
- IVS 410 Development Property
- IVS 500 Financial Instruments

No Comment.

VPGA 1: Valuation for inclusion in financial statements

2.2 In March 2021, the International Accounting Standards Board published the exposure draft Disclosure Requirements in IFRS Standards—A Pilot Approach. The exposure draft sets out a proposed new approach to developing and drafting disclosure requirements in IFRS standards, as well as new disclosure requirements for IFRS 13 Fair Value Measurement.

From the valuation community perspective, the most noteworthy potential change is the expectation or requirement that information will be provided to clients as a matter of course on what are described as 'reasonably possible alternative fair value measurements' to reflect the uncertainty that may exist regarding any significant inputs used to determine fair value.

2.3 IFRS 16 *Leases*, introduced in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

These proposed insertions into VPGA1 result in very selective and unbalanced overall guidance on the valuation requirements in IFRS.

The statements in the proposed 2.2 are not incorrect. However at present none of the current valuation requirements in IFRS 13 are mentioned at all; instead members are just referred to the IFRS standard. It is now proposed to include more information than is provided for the entirety of IFRS 13 on a proposed amendment that affects only a small part. Consultation on this amendment will not be concluded until January 2022 and, if changes result, these are unlikely to be finalised until later that year and not be effective until after that. Not only does this very selective reference to IFRS 13 potentially mislead members as to the overall requirements but it is also at least 18 months premature.

In similar vein, the brief comment on IFRS 16 proposed in 2.3 has such limited, and selective, information about how lessee's interest need to be accounted for that it is potentially misleading. There are very specific "valuation" requirements for the asset and liability represented by the lease. While there is in theory a role for RICS valuers in assisting with this process, from our discussions with major firms this is not something that is common.

There are other parts of IFRS 13 and other accounting standards such as IAS 16, IAS 36, IAS 40, IAS 41, IFRS 3 and IFRS 5 that are more likely to require input from valuers but which are not mentioned at all.

Valuations for financial reporting were the original raison d'être for the Red Book in the 1970s, and subsequently was the driving force for the IVS. The current guidance is sorely inadequate, due in part to the IVSC deciding to disregard commitments made in a 2014 MoU with the IFRS Foundation by withdrawing guidance that had been developed between the IVSC and IFRS staff from the IVS. However, introducing a couple of paragraphs that refer only to a proposed change in small element of the IFRS 13 valuation requirements and one of the accounting standards less likely to require member involvement exacerbates rather than solves this.

We urge RICS to withdraw this proposed amendment pending a review of what guidance is required on valuations under IFRS.

VPGA 2 Secured lending

6.1 Sustainability and ESG factors (see VPGA 8) can be a significant market influence and valuations for secured lending should always have appropriate regard to their relevance to the particular assignment.

6.2 (b) (i) Additional report contents should include: ...comment on maintainability of income over the life of the loan (and any risks to the maintainability of income), with particular reference to lease breaks or determinations and anticipated market trends – this may well need to be considered in a broader sustainability and ESG context, such as potential future cost liabilities related to meeting regulatory and investor requirements...

No Comment

VPGA 4 Individual trade related properties

1. Background

1.1 Certain trade related properties are valued using the profits method (also known as the *income approach*) of *valuation*. The guidance below sets out the principles of
this method of valuation but does not concern itself with the detailed approach to a *valuation*, which may vary according to the property to be valued.

1.2 This VPGA relates only to the *valuation* of an individual property that is valued on the basis of trading potential. **IVS 230 Inventory** focuses on the valuation of physical goods that are not real property and which will be used in future production processes (i.e. raw materials, parts, supplies, goods used in the production process and goods awaiting sale).

1.4 Other types of properties, such as car parks, garden centres, caravan parks and crematoria, fulfil the requirements at 1.3 and are valued in some jurisdictions with reference to trading potential using a profits approach. This list is not intended to be exhaustive. A further subset of properties includes those where the adaptation in use or restraint on flexibility is less marked, but a valuation based on an income approach, including many aspects of this VPGA, may still be regarded as the best indicator of value. A non-exhaustive list of examples includes self-storage, flexible workspace, purpose-built investment student housing and data centres. The choice of method will be a matter for valuer judgment having regard to the specific type, form and use of the property and market circumstances prevailing, and evolving, at the time.

No Comment.

VPGA 8 Valuation of real property interests

This guidance provides additional commentary on certain specific topics and issues that arise in relation to the valuation of real estate, and is supplemental to IVS 400 Real Property Interests, IVS 410 Development Property and VPS 2. It expressly covers inspections and investigations, and includes important material on sustainability and ESG issues, which can be a market influence in relation to real estate.

1.3 (c) where relevant, information on any substantial outgoings and running costs, and the level of recovery from the occupier – energy efficiency and carbon emissions may be among a number of relevant factors when considering sustainability and ESG issues (see below)

2.6 Sustainability and environmental, social and governance (ESG) - Potential or actual constraints on the enjoyment and use of property caused by ESG issues may result from natural causes (such as flooding, severe storms and wildfires), from non-natural causes (such as contamination) or sometimes from a combination of the two (such as subsidence resulting from the historic extraction of minerals). Despite the considerable diversity of circumstances, the key question is always the extent to which the factors identified affect value. Particular care should be taken when assessing or commenting on ESG factors, as valuers may not have the specialist knowledge and experience required. In appropriate cases, the valuer may recommend making further enquiries and/or obtaining further specialist or expert advice in respect of these matters.

We presume the words "Sustainability and environmental, social and governance (ESG)" appearing at the start amended text proposed for 2.6 is a heading to replace "Environmental Matters" in the existing text. Since the issues discussed are all environmental we consider the existing heading should be retained. Social criteria examine how a business manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a business's leadership, executive remuneration, internal controls, and shareholder rights. ESG should not therefore be used as an acronym for just environmental concerns. "Stretching" the meaning of ESG in this way does not help members understand matters that they should be taking into account when valuing real estate.

Additionally, conflating ESG with sustainability every time the latter appears is surely wrong. The Glossary indicates that RICS believes there is no globally adopted definition of sustainability, but most English dictionaries define sustain as a verb meaning to support, to maintain or to keep up over time. Sustainability means that something is capable of being supported, maintained or kept up over time. A company can have E, S or G policies that are sustainable, but sustainability is neither a synonym of ESG nor a distinct concept.

It is difficult to see what impact social and governance policies of a business will have on the value of real estate which is not already observable in other factors that a valuer will reflect anyway, for example planning policies aimed at minimising adverse societal impacts on a community. Encouraging real estate valuers to think otherwise is inviting problems by encouraging them to start reporting on matters which are irrelevant to the valuation and which is probably outside their expertise.

It follows that the insertion of ESG before "issues" and "factors" wherever this appears in the existing text of 1.3c and 2.6 is inappropriate. These are all "merely" environmental. Sprinkling ESG at random does nothing to help members understand the term or improve the quality of the standards. It appears that a search tool has been utilised to add “and ESG” every time “sustainability” appears in the current Red Book, which shows a lack of understanding of what either means.

The following paragraphs consider the matter in more detail.

a) Natural environmental constraints

i. Some property will be affected by environmental factors that are an inherent feature either of the property itself or of the surrounding area, and which have an impact on the value of the property interest. Examples include ground instability issues (such as swelling and shrinking clay, subsidence consequent on historic or current mineral extraction, etc.) and the risk of flooding from any mechanism. Resilience protection measures may alleviate the impact of the factor.

ii. Although detailed commentary on both the risks and the effects may be outside the realm of the valuer’s direct knowledge and expertise, the presence, or potential presence, of these factors is something that can often be established in the course of a valuation inspection through normal enquiries or by local knowledge. Use of the relevant Property Observation Checklist from appendices A to C of the RICS guidance note *Environmental risks and global real estate*, 1st edition (2018), may be of assistance when undertaking inspections. It is not just the risk of a particular event occurring that needs to be considered, but also the various consequences. For example, if the property has suffered a recent event such as flooding this may affect the availability of insurance cover, which, if material, should be reflected in the valuation.

iii. The valuer should be careful to state the limits that will apply to the extent of the investigations and the assumptions that will be made in relation to environmental matters, and should state any sources of information relied upon.

b) Non-natural constraints (contamination and hazardous substances)

i. A valuer may not be competent to advise on the nature or risks of contamination or hazardous substances, or on any costs involved with their removal. However, a valuer who has prior knowledge of the locality and experience of the type of property being valued can reasonably be expected to comment on the potential that may exist for contamination and the impact that this could have on value and marketability.

ii. The nature and risks may of course be directly attributable to the use of the property itself. For example, a number of businesses depend on activities that involve the use of hazardous substances or operate waste management activities that may be regarded as a nuisance by third parties. Although detailed commentary on such effects may be outside the realm of the valuer’s expertise, their presence, or potential presence, is something that can often be established in the course of a valuation inspection through normal enquiries or by local knowledge.

iii. The valuer should state the limits on the investigations that will be undertaken and state any sources of information or assumptions that will be relied on. Any historic or existing use matters observed can again be recorded on the relevant Property Observation Checklist from appendices A to C of the RICS guidance note Environmental risks and global real estate, 1st edition (2018).

No Comment

c) Sustainability and ESG – assessing the implications for value

i. While not a term that has a universally recognised definition yet (see the RICS glossary in Part 2), in a valuation context sustainability encompasses a wide range of physical, social, environmental and economic factors that can affect value and of which valuers should be aware.

ii. The range of issues includes, but is not limited to, key physical risks such as flooding, heat, wildfires and severe storms, and transitional risks such as energy efficiency, carbon emissions and climate impact. The impact of these risks can be influenced by current and historic land use as well as matters of design configuration, accessibility, legislation, management and fiscal considerations. Sustainability matters can impact occupier preferences and purchaser behaviour, and may also be a consideration for investors, secured lenders, insurers and public bodies.

iii. The pace at which sustainability and ESG is feeding directly or indirectly into value has jurisdictional variations. In order to respond appropriately as markets change, valuers should continuously seek to enhance their knowledge. The role of valuers is to assess value in the light of evidence normally obtained through analysis of comparable transactions. While valuers should reflect markets, not lead them, they should be aware of sustainability features and the implications these could have on property values in the short, medium and longer term. The issues may extend to:

- ESG matters (see above) including, where applicable, climate change and resilience to climate change;
- configuration and design including use of materials and concepts increasingly associated with 'wellness';
- accessibility and adaptability, including access and use by those with disabilities;
- carbon emissions, energy efficiency, building 'intelligence' and other 'costs in use';
- fiscal considerations.

iv. Valuers are actively encouraged to identify and collect sustainability and ESG-related data.

v. Only where existing market evidence would support this, or where in the valuer's judgement market participants would expressly reflect such matters in their bids, should sustainability characteristics directly influence value(s) reported.

vi. Valuers are often asked to provide additional comment and strategic advice. In these cases, the valuer should consult with the client on the use and applicability of sustainability and ESG metrics and benchmarks that are applicable in each case. For example, when preparing valuations on the basis of investment value or worth, sustainability and ESG factors that could influence investment decision-making may properly be incorporated, even though they are not directly evidenced through transactions.

vii. Where appropriate, in order to comply with best practice in reporting, valuers should:

- assess the extent to which the subject property currently meets the sustainability and ESG criteria typically expected within the context of its market standing and arrive at an informed view on the likelihood of these impacting on value, i.e. how a well-informed purchaser would take account of them in making a decision as to offer price
- provide a description of the sustainability-related property characteristics and attributes that have been collected
- provide a statement of their opinion on the relationship between sustainability factors and the resultant valuation, including a comment on the current
- benefits/risks that are associated with these sustainability characteristics, or the lack of risks, and

- provide an opinion on the potential impact of these benefits and/or risks to relative property values over time.

viii The RICS guidance note Sustainability and ESG in commercial property valuation and strategic advice, 3rd edition (2022) provides guidance on the identification, assessment and impact of sustainability and ESG issues for commercial real estate valuations

We are concerned that vi in this list is ambiguous. It may simply mean that ESG policies are increasingly matters that may need to be reflected in investment value and the valuer should consult with the client over suitable metrics. However, an alternative reading suggests that valuers are often consulted on such matters and that they are equipped to provide such advice, which is contrary to paragraph 2.6 of VPGA 8. The wording of this paragraph can be simplified and avoid this.

We also refer to our earlier comment on the indiscriminate addition of "and ESG" every time sustainability appears.

Part 6: International Valuation Standards

The *International Valuation Standards* (IVS) are reproduced in full in this Part, with kind permission from IVSC. Effective from 31st January 2022, they are adopted and applied through these RICS Red Book Global Standards, being cross-referenced throughout Parts 3 to 5.

Members are reminded that IVSC reserves the right to make further amendments to IVS at any time. Any consequential amendments to this Red Book Global edition will be made in accordance with the arrangements described in paragraph 27 of Part 1: Introduction.

See earlier comment on Part 1 - Introduction

Summary of main changes to IVS 2020 – effective from 31st January 2022

Core Principles – A list of 'core principles' for standard setting and valuation has been added to the Introduction.

Glossary – The Glossary has been extended.

Framework – Two clauses have been added to explain what is meant by compliance with the standards and when a departure may be made. Other changes indicate that an individual or group of individuals responsible for preparing a valuation must be appropriately qualified, competent and unbiased, and act ethically.

IVS 101 Scope of Work – Valuers preparing valuations for their own employers are now referred to as 'employed valuers'. Valuers preparing valuations for a third-party client are called 'engaged valuers'.

IVS 104 Bases of Value – A section on 'allocation of value' has been added.

IVS 105 Valuation Approaches and Methods – wording has been reinstated to clarify that market, income and cost approaches are not exclusive and may be used in any combination.

IVS 200 Businesses and Business Interests – the Introduction has been amended to better describe the scope of the standard.

IVS 230 Inventory – This is a new standard and addresses the valuation of goods that will be used in future production, work in progress and goods awaiting sale. It excludes real estate and buildings under construction.

IVS 400 Real Property Interests – the Introduction has been amended to provide additional clarification of what this standard covers, including the valuation of agricultural land and unregistered land.

No Comment