



Suomen Kiinteistöarviointiyhdistys ry  
Fastighetsvärderingsföreningen i Finland rf

Chris Thorne (chairman)  
International Valuation Standards Board  
41 Moorgate  
London EC2R 6PP  
United Kingdom  
Email: CommentLetters@ivsc.org

2 September 2010

Dear Mr. Thorne,

The Finnish Association for Real Estate Valuation appreciates the opportunity to comment the IVSC's exposure draft of proposed new International Valuation Standards.

The comments are attached.

Sincerely,

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Chairman  
The Finnish Association for Real Estate Valuation  
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General Secretary  
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*The Finnish Association for Real Estate Valuation is an association for the Finnish professionals working in the real estate valuation field. The essential aim of the association is to advance the Finnish professional real estate valuation, real estate valuation based on good real estate valuation practice, and to promote common knowledge of the real estate valuation field.*

## The response of the Finnish Association of Real Estate Valuation

### GENERAL QUESTIONS

- 1. Do you find the new structure of the Standards to be logical and easy to follow? If not, what alternative would you propose?**

The structure is similar to the earlier standards and it's quite ok. The logic in the order of the guidance notes (1. businesses, 2. intangible..) is a bit strange. The Finnish Association of Real Estate Valuation thinks that the valuation of property interests could be highlighted more.

- 2. Do you consider that the combination of background information and specific directions to be helpful? Would you prefer all background information and explanatory information on asset classes to be removed from the standards so that only the specific directions applicable to each application or asset type remained?**

The meaning of the question is unsure. It is difficult to see where the background information stops and the specific directions starts. Now it is a bit confusing.

- 3. Which delivery method for the new edition of the standards are you or your organization likely to use?**

This depends a lot on the pricing policy. However, both forms are needed. The website is important but how it will be allowed to be used is crucial; copy, print, only read and in which price. Especially students would need free printing option but even a free reading option would be good.

### IVS 101- GENERAL CONCEPTS AND PRINCIPLES (p. 9-26)

- 4. Do you consider that this objective has been met? Do you consider that there are any additional valuation concepts and principles that should be considered and discussed in this standard?**

Standard seems to include most of the important valuation concepts and principles. There is no need to do any additions to the text.

- 5. Are you in agreement with this approach or would you prefer the word "valuation" either not to be used at all or always used with qualifying words to indicate the intended meaning, for example "valuation process" or valuation result"?**

The word valuation is suitable and adequate. In most cases it is clear from the context, which meaning the word valuation has. And in cases there is potential for confusion, additional words are used - as is said in paragraph 4.

## IVS 102- VALUATION APPROACHES

6. **Do you agree that these three approaches encompass all methods used in the assets or liabilities that you value? If not, please describe what approaches you feel have been omitted.**

These three methods (and their combinations) encompass all methods used.

7. **Do you agree with this hierarchy and do you consider it helpful? If not explain if you would prefer to see no reference to a hierarchy or would prefer an alternative hierarchy.**

The hierarchy of the methods describes the general principle that has been widely accepted at least in Finnish valuation practice. But is the hierarchy something that needs to be presented in the standard is uncertain. The most appropriate method or methods used depends usually on the asset valued and no single method should be preferred from another (because all the methods applied should include all the relevant market data available and therefore lead to the same result) to avoid lack of credibility among clients in cases where the valuation is done with methods that are lower in hierarchy.

The Finnish Association of Real Estate Valuation does not recommend that the hierarchy is presented in IVS.

8. **Do you find this change of terminology to be helpful? If not please explain what alternative you would prefer and why.**

The Finnish Association of Real Estate Valuation does not find this change of terminology to be helpful. The old definitions and terms should be maintained because the terms have become widely known and accepted. The terms should not be changed too often without a major motive, because changing terms often cause confusion among valuers and their clients. If the term has some drawbacks, its definition should be stated more clearly rather than changing the term itself.

The term "Sales Comparison Approach" is not too restrictive and it does not preclude market evidence that is not related to an actual sale, because the definition of the term clearly states that other evidence, for example asking prices, can be used as well.

The Finnish Association of Real Estate Valuation finds this change of terminology to be harmful.

## IVS103 - BASES OF VALUE

9. **Do you agree with the proposed change to the definition? If not indicate what alternative you prefer and why.**

The Finnish Association of Real Estate Valuation prefers the old *"fundamental measurement principles of a valuation"* instead of *"fundamental measurement assumptions of a valuation"*, then the fundamental principles can't be mixed up with additional assumptions.

10. **Do you agree with this proposed change? If not, please explain why and what you believe the distinction is between investment value to a prospective purchaser and special value to a prospective buyer who can realize that special value to be?**

The Finnish Association of Real Estate Valuation disagrees with this proposed change. Definition of Investment Value in IVS should equate to a general definition in business language.

11. **Do you support the continued use of the term "Investment Value" or would you prefer an alternative? If so, what would that alternative be?**

The Finnish Association of Real Estate Valuation supports the continued use of the term *"Investment Value"*, because it is a generally used and understood term.

12. Do you agree with the approach taken in IVS? If not, explain why not and give examples where you believe the highest and best use may be different from the market value.

The Finnish Association of Real Estate Valuation agrees with the approach taken in IVS.

13. Do you consider this proposed change in the definition to be helpful? If not, please indicate how you believe it could be improved.

The term Fair value should be equal in IVS and in IFRS. Terms and definitions shouldn't have different meanings because if they do, it must be mentioned which definition is used, and it's confusing.

The Finnish Association of Real Estate Valuation finds the differences in the definitions to be harmful.

#### IVS 104 - SCOPE OF WORK

14. Do you:

- a) Agree with the inclusion of a standard for scope of work in IVS?

The Finnish Association of Real Estate Valuation agrees with the inclusion of a standard for scope of work in IVS.

- b) That the minimum contents identified in the draft are proportionate and represent a realistic minimum standard?

The minimum content seems to include most of the important factors to be presented in the scope of work but not all. The Finnish Association of Real Estate Valuation finds that for example insurance cover and delivery time of the valuation report should be included in the minimum content.

#### IVS 105- VALUATION REPORTING

15. Do you agree with the changes that have been made? If not, please explain what provisions of the current IVS3 you believe should be carried forward into the new standard.

The Finnish Association of Real Estate Valuation agrees with the changes that have been made as long as it is reminded that this is the minimum information.

#### APPLICATION STANDARDS

16. Which view do you support? If you consider that future IVS should contain application standards, do you consider that the degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements?

No comments.

17. Which of these views do you support?

Both views are justified and mostly true depending on the use of IVS. The terms, definition and directions should be as permanent as they can be, because if the standards are changed too often they are no longer widely recognized (which is the basic element of the standard itself).

## ASSET STANDARDS

18.

a) **Question 18.1 - Do you have any other comments on the general structure of the Asset Standards?**

The distinction between the background information and the specific directions is confusing.

Valuation of property interest should be highlighted more, now it's seems too simplified and narrow.

b) **Question 18.2 - Do you consider that a class of "personal property" can be identified that is not already covered by the proposed new asset standards? If so, do you consider that it has distinct characteristics that need to be considered in valuations that would benefit from a new IVS asset standard being developed?**

The Finnish Association of Real Estate Valuation see's that specific directions for valuation of personal property are unessential.

19. **Do you agree that a standard on valuing non financial liabilities is required and what topics should it cover?**

No comments.

20. **Please identify any additional types of asset or liability that you believe should be considered for future inclusion in IVS, together with an indication of the benefits that you consider a new standard would bring.**

The Finnish Association of Real Estate Valuation recommends that Valuation of Forest Land is included in IVS.

## ADDITIONAL COMMENTS TO EXPOSURE DRAFT

- 1.) The basic terms and definitions should be equal in every standard that is widely used and recognized, e.g. IVS, RICS, TEGoVA and USPAP.
- 2.) Bulletin at least in IVS 303.01 (Valuation of Property Interest) is mixed and illogical. Sometimes bullets are dots and sometimes letters. For example in page 97 bulletin starts with letter d and continues with letter g (e and f are missing).
- 3.) Paragraphs 2 and 6, in page 95-96: Paragraph 6 belongs under headline *property interests*, not under headline *the hierarchy of the interests*. Also paragraph 6 should probably be combined with paragraph 2.
- 4.) Paragraph 15, in page 98: The list presented is very confusing. It includes some characteristics that are included in most comparisons, but why these characteristics are chosen? Does the standard imply that these and only these characteristics can be compared or is this just a list of examples of the characteristics? Does the standard imply that these characteristics are the most important ones? The list does not include all characteristics that are frequently used.
- 5.) Paragraph 21, first sentence in page 100: "*This approach is generally only used*", the word only should be removed from the sentence.
- 6.) Paragraph 22, last sentence in page 100: "*The cost of acquiring land suitable for the..*", the word suitable should be replaced with the word equivalent.
- 7.) Paragraph 23, first sentence in page 101: "*...by comparing the modern equivalent with the buildings and other site improvements at the interest being valued*", also transactions with similar buildings can be used, so the sentence should include this possibility.
- 8.) Paragraph 24, in page 101: The hole sentence is confusing and should be removed.
- 9.) Concepts nro. 6-9 in pages 10-11: the term price is used widely on the definitions. Should it be replaced with the term value (from example estimated price). The examples should be closer to the valuation field at hand and not use examples like market for motor vehicle or gold.
- 10.) Concept nro. 7 in page 11: The paragraph about economics is irrelevant and incomplete. Are basic economics something that needs to be copied to IVS?
- 11.) Concept nro. 11 in page 11: The chicken or the egg causality dilemma in the market activity definition is irrelevant and incomplete.