

29 April 2014

IVSC Standards Board
International Valuation Standards Council
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National Office

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Dear Sirs,

Exposure Draft – Development Property

On 31 January 2014 the IVSC issued an Exposure Draft dealing with Development Property.

The document was issued seeking a response from interested parties by 30 April 2014.

The Australian Valuation Standards Board comments (red) in response to the questions are detailed below:

- 1. Do you agree with the Board's proposal to move all material in the standards specific to financial reporting to IVS 300?**

Yes.

- 2. Do you agree with the Board's view that the valuation techniques described in the commentary to the current IVS 233 are applicable to all types of development property, not just investment property as defined in IFRS?**

Yes – however, consideration should be given to amending the definition of Development Property (page 3) to read as follows:

“Any type of *real property* that is either in the course of construction or where construction is contemplated, **or permitted.**”

- 3. Do you agree with the scope as described? If not, please explain any additional matters that you believe should be added to the scope or matters currently included that you believe should be excluded.**

Yes.

- 4. Please indicate if there are any items on this list with which you disagree or any additional matters you believe should be included.**

The Board believes there could be other relevant considerations in differing circumstances. Consideration should be given to detailing the list of matters as mentioned in paragraph 3 of IVS 230 *Real Property Interests* (para 6 refers).

- 5. Do you agree? If not, please explain why.**

Agree.

6. Do you consider the caution provided here is sufficiently detailed or do you consider further guidance is required?

It is suggested the last sentence of para 22 be amended to read "Land values derived by this method should be checked against a market approach where comparable data is available."

7. Do you consider that there are any typical inputs that are not referenced but should be included or items included that would not typically be used? If yes, please identify the input and the reasons for inclusion or exclusion.

With respect to real property in Australia and New Zealand it is standard practice for the value of a project to be based on the *special assumption* that on the *valuation date* (which is usually the date of inspection) the project is already completed in accordance with the current specifications.

An alternative wording which will give greater clarity to the market place is:

- "(a) Completed property

Subject to the relevant jurisdictional practices adopted the value of the completed project may be based on:

- current values on the *special assumption* that on the *valuation date* it had already been completed in accordance with the current specification; or
- the projected value of the property upon completion i.e. the expected value of the property on the date when it is anticipated to be complete.

Care must be taken to ensure that the discount rate used is commensurate with the valuation approach and assumptions used."

Whatever is adopted needs to be consistent with IVS 233 Investment Property under Construction and / or supersede IVS233.

8. Do you consider that there are any other methods for determining the interest rate that should be included? If so, please explain these.

The wording is sufficiently broad to satisfy requirements.

9. Do you agree with this list? If not, please identify any additional matters you would like to see included or matters that are included that you think should be excluded, with supporting reasons.

Agree.

10. Do you agree that this type of disclosure is helpful and should be encouraged wherever appropriate?

Agree.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A.L. McNamara'.

A.L. McNamara
Professional Standards Manager
Australian Property Institute