

7 March 2013

IVSC Standards Board
International Valuation Standards Council
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Dear Sirs,

Discussion Paper – Investment Property

On 4 December 2012 the IVSC announced the release of a consultation document seeking views on the need for improved standards for the valuation of investment property.

The document was issued seeking a response from interested parties by COB 28 February 2013.

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

Question 1:

Do you think that the current definition should be retained in full or that an amendment to the definition in IVS 233 is required?

Suggest amending 1.1.1a) to read:

a) used by the owner in the production or supply of goods or services or for administrative purposes, or

Question 2:

If you believe it should be retained in full, what guidance should be given to valuers when valuing for the non-financial reporting purposes referred to above?

The purpose / intended use of instructions need to be very clear and fully understood by the valuer when providing advice for non-financial reporting purposes.

Question 3:

If you believe an alternative definition is warranted, please give reasons and suggest appropriate wording.

See feedback to question one.

Question 4:

Have you encountered valuations that explicitly refer to intangible assets associated with either the property interest or the business in occupation? If so, were these separately valued or not? For what purpose was the valuation required?

Examples of where valuers frequently deal with intangible assets include the valuations undertaken on a going concern basis (pubs, motels etc).

The valuation may be required for financing and or sale of interest.

Question 5:

Have you encountered valuations of investment property where you believe that the value of an intangible asset has been included in the value of the property interest but has not been expressly identified?

Yes.

Question 6:

Do you consider that the IVSC needs to provide guidance on this issue?

Yes.

Question 7:

Which of these options do you favour or is there another option that you would suggest?

The API believes an option for consideration is to upgrade IVS 230 Real Property Interests by including relevant parts of IVS 233 Investment Property Under Construction. However, a separate TIP be developed to incorporate the balance of IVS 233 together with the Discussion Paper on Investment Property.

Question 8:

Do you consider the provisions of IVS 230 and IVS 233 in relation to valuation methods to be sufficient?

Yes – subject o above.

Question 10:

Do you consider that the additional guidance to that provided in the IVS Framework (paras 33 – 35) is needed to apply the highest and best use concept to investment property?

No.

Question 11:

Please indicate which of the above most frequently presents a problem in the valuations that you encounter and the most common methods you see being used to address the issue.

Point a) represents the most common problem for professional valuers.
Traditional valuation techniques are used with broader analysis re the particular asset class.

Question 13:

Have you encountered material inconsistency in the approach adapted to the treatment of costs or tax in valuations of investment property? If so please indicate the nature of the inconsistency and its consequences.

The interpretation / dealing of incentives.

Question 14:

Do you consider that the IVSC should attempt to set benchmarks that indicate whether inputs and valuations should include or exclude different types of tax or other costs? If so, which specific benchmarks would you consider appropriate?

No.

Question 15:

Do you consider that an opinion on where the inputs used in a valuation of investment property fall within the input hierarchy under IFRS (or any other accounting standard that contains a similar hierarchy of inputs) should be provided as part of the valuation report?

Yes.

Question 16:

If so what guidance should the IVSC be providing to enable valuers to comply with the requirements of IFRS 13 in relation to disclosures on inputs?

Illustrative Examples / Summary Table would assist in guidance for the profession and user of valuation services.

Question 17:

Do you agree that not all investment property is capable of reliable valuation? If so please give any additional examples to those above.

Yes.

Valuation Uncertainty.

Yours faithfully,



A.L. McNamara
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Australian Property Institute