30 September 2014

IVSC Standards Board  
International Valuation Standards Council  
1 King Street  
LONDON EC2V 8AU

Dear Sir

Agenda Consultation
IVSC has recently released the Consultation Paper “Agenda Consultation”. The document seeks a response from interested parties by 10 October 2014.

The Property Institute of New Zealand Valuation & Property Standards Board comments (red) in response to the questions are detailed below:

Question 1a
Should the IVSC supplement its current standards with additional standards for subsets of assets that fall within the high level categories currently covered in IVSs 200 – IVS 250?
If yes, please indicate the nature of the subsets that you would like to see included and any criteria that you believe that the Board should take into account in determining the priority to be given to these.
No.

Question 1b
Should the IVSC create additional standards to deal with the application of the principles in the existing IVSs to valuations for different purposes? If yes, please indicate any purposes other than those already covered in IVSs 300 and 310 (Financial Reporting and Real Property for Secured Lending) that you would like to see included and any criteria that you believe that the Board should take into account in determining the priority to be given to these.
Nothing at this point in time, but keep an open mind to the future.

Question 2a
Do you or your organisation encounter valuations of assets in the Extractive Industries? If no, please proceed to Question 3a. If yes, please indicate the nature of the assets involved and the purposes for which the valuations are required.
Yes, Property types include metal quarries, gold and coal mines for; rating, insurance, sale and purchase and financial reporting purpose.
**Question 2b**  
Do you have experience of problems or inconsistency in the way in which assets in the Extractive Industries are valued? If so please also indicate whether, in your experience, these are:

i) specific to a particular country or jurisdiction or are common across borders,

ii) arise across all the extractive industries or are specific to a particular sector (eg mining) or subsector (eg metal ores).

These issues arise across all of the industries and include capitalisation and/or discount rates, royalties, treatment of tax, measurement of the resource, availability of market information.

**Question 2c**  
Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

**Medium**

**Question 3a**  
Do you or your organisation encounter valuations of forests or woodland used primarily for timber production? If no, please proceed to Question 4a.

If yes, please indicate the nature of the forests and geographic region involved and the purposes for which the valuations are required.

*Yes, Nationwide. The predominant tree is Pinus Radiata.*

**Question 3b**  
Do you have experience of problems or inconsistency in the way in which commercial forests or woodlands are valued? If yes please indicate whether, in your experience, these are:

i) specific to a particular country or jurisdiction or are common across borders,

ii) broadly applicable across all the types of commercial forest or to be specific to a particular sector or type of forest.

Yes, referring only to issues within New Zealand we note the following;

- Mainly for young crops, differences occur around defining the correct crossover point between application of the compounding (bottom up approach) and discounting (top down approach) methodologies.

- Another problem is use of multiple valuers i.e land valuer, plant valuer, crop valuer and business valuer, then adding them all together and expecting the summation to equate value.

- The issues highlighted above can include double counting of development costs.
Question 3c
Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board’s agenda

High

Question 4a
Do you or your organisation produce or rely on valuations of real property that is normally bought and sold at a price which reflects the potential earnings that can be made from operating a particular type of business from the property? If no, please proceed to Question 5a.

If yes, please indicate the type or types of real property that you are aware are generally valued using this approach.

Yes, Hotels, Motels, Hostels, Resorts, Theme Parks and Attractions, Rest homes and Retirement Villages, Orchards, Vineyards, Dairy and some other farm types, service stations, marinas, Public type assets subject to PPP arrangements etc.

Question 4b
Do you consider that it would be beneficial for the Board to produce guidance on the method of valuation of a real property interest that uses the income that can be generated by a business in occupation as an input?

Yes.

Question 4c
If you have answered yes to question 4b, please indicate the issues that commonly cause difficulty or inconsistency in applying this approach.

- Marriage value may arise by incorrectly adding separate components – Real Estate, Goodwill and Plant / Equipment.
- Wide ranging methodologies – Cap model, P/E model, Discounted Cashflow approach.
- Wide diversity in interpretation and application of financial information.
- Difficulty in getting detailed information on comparables.
- Wide variation in practitioner experience, skills and qualifications.

Question 4d
Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

High.
**Question 5a**
Do you or your organisation value or rely on valuations of real property, plant and equipment held in the public sector? If no please proceed to question 6a. If yes, please indicate the purpose or purposes for which the valuations are required.

Yes, for - Financial reporting, Insurance, Rating, Compensation.

**Question 5b**
Do you have experience of problems or inconsistencies in the way in which these assets are valued? If yes, please indicate whether these:

i) arise from the nature of the asset,
ii) arise or are likely to arise across borders,
iii) arise because of the need to comply with specific legislation or regulation.

Yes, problems arise due to -

- These are usually complex, large databases.
- Client data may not always be accurate
- Difficult to obtain accurate costs for specialised assets.
- Asset management plans not always completed.
- Problem with asset classification.
- Restricted assets may have difficult methodology with very limited market data.
- Some asset types e.g networks / infrastructure assets may have wide variation in methodology.

**Question 5c**
Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

High.

**Question 6a**
Do you or your organisation value or rely on valuations of derivatives? If no, please proceed to question 7a.

No, if required we would seek out a specialist. The only crossover might be when seeking guidance on how said specialist’s valuation should be incorporated into your own.

**Question 6b**
Please indicate which of the listed underlying asset classes you believe should be given priority in the next phase of the Derivatives project.

n/a
Question 7a
Please indicate whether you have encountered problems or inconsistencies in the way in which funding valuation adjustments are applied. If not please proceed to question 8a.

We don't have anything to do with this.

Question 7b
Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board’s agenda.

Low.

Question 8a
Please indicate whether you or your organisation has to value or rely on valuations to support restructuring or corporate recovery. If no please proceed to question 9.

Yes.

Question 8b
If yes, please indicate any valuation issues that you currently experience or anticipate arising under emerging regulations.

Difficulties around -
- Obtaining market data for forced sale assets.
- Assessing appropriate discounts to orderly sale values.
- Determining correct basis of value.
- Getting correct instructions.
- Instructions may be misleading due to the parties involved.
- Working in an information vacuum sometimes
- Difficult to evaluate market matrices such as level of supply demand, days to sell, reasonable marketing period etc.

Question 8c
Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

Medium

Question 10
Do you wish to suggest any additional projects for inclusion in the Board's agenda?

If yes, please identify the nature of the suggested project as precisely as possible and provide the information requested in para 42 above.
Yes - Agricultural Properties.

Yours faithfully,

[Signature]

J L (Blue) Hancock
President Property Institute of New Zealand