

26 April 2013

Our Ref: BE/AA

IVSC  
41 Moorgate  
London  
EC2R 6PP

Dear Sirs

### **RICS OBSERVATIONS ON THE IVSC EXPOSURE DRAFT AMENDMENTS TO THE INTERNATIONAL VALUATION STANDARDS**

We are content to support all the proposed amendments other than those listed below, on which we offer the following comments:

#### **3) IVS Framework 3 and 4 – objectivity**

There is a risk of unintended signals being generated by withdrawal of the word “independence”. Clearly the three strands of independence, objectivity and avoidance of conflicts of interest are related, but they do carry (at least in the English language) different emphases. Thus independence has connotations both of independence of thought, as the Exposure Draft recognises (indeed a phrase that might itself usefully be adopted) and of independence of action. The reference in the Exposure Draft to absence of connection is not quite the same.

#### **4) IVS Framework 25 – unit of valuation**

No link is made to IVS 101(2)(d) but it would appear to be necessary to consider the text here as well. The term “unit of valuation” may not be the best choice (despite the IFRS “unit of account” example) – indeed the proposed definition is arguably more satisfactory than the term itself. If the valuation extends to more than one asset, would it not be better simply to say so? And if there is a further degree of dependency or interdependency across assets to be reflected in the valuation, then that too could be made clear and arguably gives rise to an assumption. Thus the associated assets may be assumed to be available but may still not be part of the asset, or group of assets, actually being valued.

At a more basic level “unit of valuation” could also be open to confusion with some aspect of measurement.

#### **5) IVS Framework new 26 – unit of valuation**

This is linked to the point immediately above. If, despite our preference for the existing text, a change to the existing Standard is made, then in the last line “is often” should be amended to the more neutral “may be”.

#### **8) IVS Framework 56 – methods**

IVS 102 para 7 refers to a “single” method, not the “primary” method. It would be better to leave matters as they are.

#### **11) IVS 101 Scope of Work 2 (e)**

The point is understood but this appears to be an odd place to put it. The basis of value may be part of the review even if a valuation figure will not be given. The more logical place for this point is under IVS 101 2c Purpose of the valuation.

#### **13) IVS 102 Implementation 1**

This switch of emphasis away from Standards to Framework might imply that careful definition of the purpose could circumvent part of the Standards themselves.

#### **17) IVS 103 Reporting 5**

The omission of (e) may go too far – the basis of value may be material to a review, even though a figure may not be reported. It would not necessarily be “taken as read”.

#### **23) IVS Investment Property Under Construction C10 and C11**

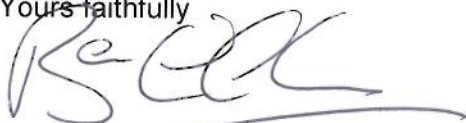
It is suggested that this is considered within the wider review of Investment Property - including IVS 233 – currently in train.

#### **Other observations**

Although not part of the current proposals for change, we would add a cautionary note concerning IVS Framework paragraph 36 Transaction Costs where we believe the present text is too concise. In framing their bids for assets in certain markets, potential purchasers may have specific regard to certain taxes or costs. If this is a feature of the particular market, then it will be reflected in the bargain struck between the parties and hence the exchange price. In arriving at market value the focus is always on the actual, full consideration that is to be paid ie the price that would appear in the contract for sale (using UK terminology for convenience). No (further) adjustment for costs or taxes is then to be made to that figure once determined, as paragraph 36 correctly seeks to convey.

We would be content to discuss this last point further as appropriate.

Yours faithfully



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