



October 18th, 2018

Mr. Nick Talbot
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By e-mail

Dear Nick

The Appraisal Institute of Canada is pleased to provide the following comments in response to the questions posed in the exposure draft.

The following comments, though not exhaustive, do provide some additional perspective on the upcoming version of IVS.

For ease of reference, we have provided responses to the questions below:

1. IVS Glossary

Question 1: Should IVS define terms *Price, Cost, Value*?

Price: AIC does not define this term, although it is used repeatedly throughout CUSPAP. PN 18.29.1 refers to a potential definition by stating: "A contract sale price of the subject property can be a good indicator of its market value", implying that the two terms are not the same.

Cost: AIC does not define this term, although it is used repeatedly throughout CUSPAP.

Value: Value is defined in CUSPAP 2.60 as: "The monetary relationship between properties and those who buy, sell or use those properties. Note: Value expresses an economic concept. Value is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value."

Comment re IVS Proposed definition: The first phrase of IVS' definition is similar to CUSPAP's definition in that they both reference it being an opinion of a valuer. IVS' second phrase, indicating that "value" can equate with "fact" when value and price are the same, introduces an element of confusion and potential misinterpretation. Best to remove this element now to avoid misuse later.

Valuation: AIC does not define this term

Comment: Although AIC does not define three of these four terms, CUSPAP contains a number of references to price, cost and value being distinct from each other in terms of meaning.



Question 2: Should IVS define *Calculation* and *Calculation Engagement*?

Calculation: If defining “calculation” is meant to remove uncertainty concerning the output of AVMs, it may be better to clarify the definition of an AVM as it relates to value instead of calculation. It may also be useful to cross-reference the definitions of value and AVM.

Calculation Engagement: We are not clear as to what this term is meant to represent but do believe it may be too far reaching to be incorporated into IVS .

Question 3: Should a *Calculation* be IVS compliant, and if so, what differences in the scope of work and disclosure outlined in IVS should be required by the valuer?

Comment: We are not clear as to why or how this term should be defined. The terms calculate and calculation are not mentioned in CUSPAP and this approach should not be pursued.

2. IVS 102 – Investigations and Compliance

Question 4: Should IVS provide examples of “substantial” limitations? If so, provide examples.

Comment: If IVS refers to the extreme point where an assignment may be deemed not compliant with IVS due to the limitations imposed in an assignment, we opine that members attempting to interpret and comply with IVS would appreciate examples of this type of scenario in order to avoid being deemed non-compliant with IVS. An example can be where the basic details and specs of a building to be constructed are too vague or non-existent for an appraiser to properly describe and hence value with any degree of certainty or accuracy.

3. IVS 105 – Valuation Approaches and Methods

Question 5: Do you agree with the suggested changes on Discount Rates? Anything to include or exclude?

Comment: The changes are sensible, including valuing assets consistently (comparing “like” to “like”), deriving appropriate measurements from the market, and communicating and explaining when and why these elements cannot be achieved.

4. IVS 410 – Development Property

Question 9: Do you feel the addition of “As Is” and “As Proposed” value will reduce risks in relation to the valuation of development property?

Comment: Yes. It should add clarity to the client’s understanding of the valuation and report and highlight the risks and uncertainty of necessary assumptions made to estimate the value of a project that may take years to complete.

Question 10: Should the valuer be compelled to state the method of valuation and assumptions used in the report?

Comment: The valuer is already compelled to do so. See IVS 103 – 10.1 and 30.1(b)(c)(e)



In addition, we believe section 20.4 would benefit from the inclusion of “replace” as it would reflect the cost of reconstruction in the event of a loss.

We thank you for the opportunity to provide comments and to contribute to the process of developing IVS.

Should you have any questions regarding this please feel free to contact the undersigned.

Sincerely,

Keith Lancaster AACI (Hon.)
Chief Executive Officer

cc. AIC Board of Directors
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