

## **IVS 2017 Additional Technical Revisions Exposure Draft**

**Question 1: Do you believe that IVS should seek to harmonise valuation standards with other standards such as CUSPAP and USPAP? If so, please discuss why you think the harmonisation of valuation standards is necessary.**

The Australian Property Institute (API) strongly supports harmonising valuation standards with other standards such as Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and Uniform Standards of Professional Appraisal Practice (USPAP). We note similarities in core valuation principals, and we feel it is fundamental to try to standardise Standards globally. A universal agreed set or principles assists in communication, workability and trust in the profession globally.

**Question 2: Do you believe that IVS should define the term Assignment? If so, please discuss why you think the additional definition is necessary.**

The API are not opposed to including the definition of Assignment.

**Question 3: Do you believe that IVS should define the term Confidential? If so, please discuss why you think the additional definition is necessary.**

We agree with including the defined term Confidential. We suggest adding to it as follows:

**Confidential information:** *Confidential information: information that is either:*

- *Identified by the client as confidential when providing it to an appraiser and that is not available from any other source;*
- *Classified as confidential or private by applicable law or regulation (USPAP)*
- *Not available in the public domain; or*
- *Information that the client and appraiser have agreed is confidential.*

**Question 4: Do you believe that IVS should define the terms Client, Intended Use, Intended User, and Purpose? If so, please discuss why you think the additional definitions are necessary.**

We strongly agree including the defined terms Client, Intended Use, Intended User, and Purpose, to enable consistency across the profession globally.

**Question 5: Should IVS change Section 50.1 to a “should”? If not, please provide your reasons.**

We strongly oppose changing Section 50.1. We feel it is a watering down of the requirements to be qualified and experienced.

**Question 6: Should IVS change Section 20.4 to state “Inputs provided to the valuer (e.g. by management/owners) should be considered, investigated and/or corroborated”? If not, please provide your reasons.**

We strongly agree with these proposed changes. This allows for the valuer to consider the information supplied and respects their professional judgement for further investigation and use.

**Question 7: Must a report that is the result of an assignment involving the valuation of an asset or assets, in addition to the other requirements stated above, also convey the intended use? If not, please provide your reasoning.**

Yes, we strongly support that the report should convey the intended use.

**Question 8: Should IVS 2017 use the term ‘allocation of value’ or ‘apportionment of value’ or both?**

In Australia we prefer the ‘apportionment of value’ where value is split. However, if necessary to accommodate CUSPAP and USPAP, the title heading could be ‘Allocation or Apportionment of Value’ and then we suggest the term ‘apportionment of value’ be used throughout IVS.

**Question 9: Should it be mandatory for the valuer to state the reason for the sum of the assets/components being greater or less than the whole as stated in 220.3? If not, please provide your reasoning.**

Yes, it should be mandatory. A case could be ‘marriage value’ in the case of lessor and lessee’s interest in, for example a hotel or motel where both could exceed the freehold value. Stating the reason provides full explanation for the report output and assists users and readers of the report.

**Question 10. Section 220.4 states that “If the value of the asset includes an element of assemblage value or portfolio premium/discount the valuer must report the overall value separately from the value of the individual assets or components.” Are there any instances where you feel that this is not the case, if so, please provide examples?**

Yes, we agree the valuer is to report the overall value separately from the value of the individual assets or components. This provides a client with full information. If the term is being used, a definition of ‘assemblage value’ should be provided.

**Question 11. Section 220 has been drafted to apply to all specialisms. Should additional information be included within the Assets Standards for Business Valuation, Financial Instruments or Tangible Assets? If yes, please provide examples of the initial information to be included.**

We reserve the right to comment if we receive further information regarding the input sought.

**Question 12: Do you think that IVS should include a section within the General Standards on Modelling for Valuation purposes? If not, please provide your reasoning.**

We strongly support a section included within the General Standards on Modelling for Valuation Purposes.

**Question 13: Do you believe that IVS should define the term valuation model? If so, please suggest a definition and discuss why you think the additional definition is necessary.**

Yes, we agree and feel it’s important to broadly define the term ‘valuation model’.

The term valuation model has traditionally related to the use by valuers of computer spreadsheets that are designed to simulate a real estate process that computes property value.

In more recent times it has been extended to proprietary models developed for the industry that include computer programs for investment valuation of multi-tenant properties (e.g. retail shopping centres, offices and business parks or warehouse complexes) and for development feasibilities, both of which feature Discounted Cash Flow Analysis.

It should now be also extended to Automated Valuation Models (AVM's) used for residential mortgage security lending.

**Question 14: Do you believe that IVS should define the term valuation calculation? If so, please suggest a definition and discuss why you think the additional definition is necessary.**

No, the words are commonly used and speak for themselves.

**Question 15: Section 90.2 states that “When using a valuation model the valuer must take responsibility for the output of valuation model...” Are there any instances where you feel that this is not the case, if so, please provide examples.**

It is acknowledged that the proprietary models available in the industry do not allow the valuer to access the computer programming and therefore fully test the integrity of the model.

Nevertheless, Valuers need to undertake tests of the program to ensure the model suitably computes property values.

Accordingly, Valuers must take responsibility for the model inputs and output and should undertake a check method e.g. test the output from one model against that of another model or analysis. The valuer is responsible for their inputs and detailed modelling must be checked against static calculations. A qualifying statement should be included in a report regarding the model used.

**Question 16: Section 90.2 also states that “When using a valuation model the valuer must...keep appropriate records to support the selection of the model.” How long are you required to keep valuation records in the market(s) in which you operate? Please provide details of any relevant valuation record keeping legislation within the market(s) in which you operate.**

The valuer is required to keep appropriate records which may vary depending on PI insurance policies. It is generally 10-12 years in Australia. Government Valuations and the Offices of the Valuer Generals in Australia generally require a minimum of 7 years.

**Question 17. Do you agree with Section 80.3 (correction 90.3) that ‘when using a valuation model the valuer must take responsibility for the output of valuation model and keep appropriate records to support the selection of the model?’ If not, please provide instances when this is not the case.**

We agree with the proposition that the valuer must take responsibility for the output of valuation model and keep appropriate records to support the selection of the model and the valuer must understand the factors detailed in 90.3.

We believe the list should also include that the valuer must understand all inputs and outputs of the valuation model.

**Question 18: Do you feel that additional valuation standards on valuation modelling are required within the Asset Standards (i.e. IVS 200 Business and Business Interests, IVS 400 Real Property Interests, IVS 500 Financial Instruments)? If so, please provide an indication of the proposed content and where within the IVS Asset Standards you think this additional content should be contained.**

We do feel that additional valuation standards on valuation modelling are required within the Asset Standards in order to ensure consistency in modelling within the industry.

In particular, we believe that such standards should define important terms such as investment yield definitions (market yields, initial yields, reversionary yields) in order to ensure that property assets are assessed in a consistent manner and able to be truly compared.

We are looking to clarify such definitions to ensure uniformity and common agreement and usage in Australia for valuation modelling.

