

# NETHERLANDS COUNCIL FOR REAL ESTATE ASSESSMENT

IVSC Standards Board  
1 King Street  
LONDON EC2V8AU  
United Kingdom

our ref.  
16.1971 BB

att.  
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date  
7 July 2016

About: Consultation IVS

Dear mr. Sherman,

With great pleasure we have read the exposure draft for the IVS 2017. We appreciate the work that has been done and we see that it has brought the standards to an even higher level of quality.

Attached to this letter you find our answers to the questions formulated with the exposure draft. We hope our suggestions will help you improve the standards.

Kind Regards,

mr. J.G.E. Gieskes  
secretary-director

## Attachment 1: Reaction to IVS exposure draft

### IVS 104

- a. *Do you agree that valuers should be responsible for choosing the appropriate basis (or bases) of value according to the terms and purpose of the valuation assignment, and that the basis of value may not be one defined by the IVSC? If not, why?*

In general we do. However we see that in many cases the basis of value is prescribed by (accounting) standards and regulations. Although we understand that in some cases the basis of value may not be defined by the IVSC, we strongly support the uniformity in valuations and in valuation approaches. If by any chance the IVS could prescribe in more detail the connection between valuation approaches and basis of value, the responsibility of a valuer on choosing the appropriate basis of value would be easier to fulfil. For instance the cost approach would be inappropriate to determine market value.

- b. *Prior versions of international valuation standards included Special Value as a separate and distinct basis of value. The Board generally believes that valuers seldom perform valuations using Special Value as a distinct basis of value. Rather, valuations are typically performed using another basis of value predicated on certain hypothetical assumptions (“special assumptions”) or a specific purchaser (resulting in synergistic value). Do you agree with the removal of Special Value as a separate and distinct basis of value? If not, please describe the circumstances in which you use Special Value as a distinct basis of value?*

Because the special value is a very hard to define basis of value, we understand the removal of the Special Value from the IVS. When the standards give some guidance on what special assumptions are, or even point out a list of special assumptions, more uniformity will be achieved.

- c. *The IVSC has retitled the previously defined Fair Value as Equitable Value in order to avoid confusion with other definitions of Fair Value. Do you agree with this change, if not why not?*

We agree.

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- d. *Liquidation Value has been added as an additional basis of value. Do you agree with its inclusion within IVS 2017 and are you in accordance with the definition used? If not, why not?*

Although in our practice the liquidation value will be of no importance, we have no objection with adding this basis of value to the standards.

- e. *Replacement Value has been added as an additional basis of value. Do you agree with its inclusion within IVS 2017 and are you in accordance with the definition used? If not, why not?*

We do. Because there is a lot of real estate that is difficult to value using market data, the Replacement Value is a very useful basis of value that provides a good alternative. We also think the exposure draft of the IVS gives a very clear definition.

- f. *Are there other bases of value defined by other entities/organisations that should be mentioned in IVS 104? Which ones? Why?*

In our eyes the basis of value mentioned in IVS 104 are sufficient.

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## IVS 105

1. *Do you agree that when selecting an appropriate valuation approaches and methods a valuer should consider the following?*
  - a) *the appropriate bases of value, determined by the terms and purpose of the valuation assignment,*
  - b) *the respective strengths and weaknesses of the possible valuation approaches and methods,*
  - c) *the appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market,*
  - d) *the availability of reliable information needed to apply the method(s), and e) if not, why? What considerations would you add to or remove from this list?*

We agree on the list of considerations. However we believe the IVS could give more instructions on which valuation approaches are suitable for which basis of value. For example, the cost approach could never be used to determine the market value.

2. *Under each valuation approach, this exposure draft includes criteria for when the approach should be used. Do you agree with the criteria presented under each approach? If no, what changes would you make? Why?*

We agree on the criteria. As stated before we would suggest to give more direction on the coherence between bases of value and valuation approaches.

3. *Are there areas of this chapter that you feel should be expanded upon in future board projects (eg, discount rates, discounts/premiums, etc)?*

No

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## IVS 210

- a. *In IVS 2013, all substantive portions of IVS 210 Intangible Assets were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?*

We agree.

- b. *Do you agree with the decision to incorporate relevant portions of TIP 3 into IVS 210 and to eliminate TIP 3 as a standalone document? Are there any other elements of TIP 3 that you believe should be incorporated into IVS 210?*

We agree and believe this decision will give extra weight to these portions of TIP.

- c. *In addition to the contents of IVS 105, this Exposure Draft includes criteria that should be used by an appraiser in selecting an appropriate valuation approach and method for the valuation of intangible assets. Do you agree with the criteria presented under each approach? If no, what changes would you make? Why?*

We agree on the criteria.

- d. *The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of intangible assets regardless of the purpose of the valuation (financial reporting, tax, transactions, litigation, etc.). Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?*

Since the valuation of intangible assets falls outside our field of work, we have no opinion on this matter.

## Introduction and Framework

- a. *In IVS 2013, all substantive portions of the standards were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standards were mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this exposure draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?*

We agree and believe the mandatory character of these aspects is made more clear in this way.

- b. *Do you agree with the Board’s decision to remove the section on Bases of Value from the IVS Framework and produce a single chapter on Bases of Value in order to clarify the mandatory nature of this section and to avoid repeating certain guidance throughout the IVS? If not, why?*

We agree.

- c. *Do you agree with the Board’s decision to remove the section on Valuation Approaches from the IVS Framework and produce a single chapter on valuation approaches and methodologies in order to clarify the mandatory nature of this section and to avoid repeating certain guidance throughout the IVS? If not, why?*

Because the valuation approaches form a very important part of the IVS we agree on the idea of removing the approaches and produce a chapter for it. This clarifies the importance and

- d. *Do you agree with the IVS definition of Exceptions and Departures? If not, why?*

We do. Exceptions and Departures are inevitable but by clearly stating the difference between an exception and a departure and by prescribing valuers to clearly state whether or not they depart from the IVS, it is clear to all parties which standards apply and which not.