NRVT Netherlands responses

5 Exposure Draft: IVS 104 – Bases of Value Copyright IVSC

(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?

We agree that valuers should be responsible for choosing the appropriate basis of value. If the value may not be one defined by the IVSC is questionable. Isn't it the intention of the IVSC to 'discipline' the valuers to use the IVS and isn't it also the intention of the regulators to create less risk in valuations by using the IVS? In our opinion the freedom to use 'own' maybe on purpose developed definitions could lead to fraud and risky valuations.

(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?

We are not so sure about the removal of the Special Value. According to the definition Special value is the value which it might have for a special purchaser. For instance in the Netherlands we had a bankruptcy of a retail chain in sportswear. Another chain was interested to take over the majority of that chain's locations. It had a special value for them since customers. were used to that location to buy sportswear. Synergistic value is more focused on the fact that 1 + 1 could be more than 2. For instance, if a retail shop will come to the market and the next door neighbor would like to expand his shop, it might be splendid opportunity to buy. In that case there will be a synergistic or marriage value, which in the case of special value that wouldn't necessarily be the case.

(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 think that this might be a good move, since like you stated there is a lot of confusion about the definition of Fair value.

(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?

We agree to the inclusion of Liquidation Value and the definition

(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 consider the inclusion of the Replacement value as a useful addition and agree to the definition used.

(f) Are there other bases of value defined by other entities/organizations that should be mentioned in IVS 104? Which ones? Why?

We think that if Replacement Value will be introduced the Reproduction Value should be defined as well. For instance, if a monument has to be rebuild, it has to be done according to the same specifications and materials used when it was built.

NRVT Netherlands responses

5 Exposure Draft: IVS 105 –Valuation Approaches and Methods Copyright IVSC

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

1) Do you agree that when selecting 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?

The valuer might decide to use different methods and approaches and will during the process reconcile the various outcomes to arrive at the value. See also Red Book RICS VPGA 7 nr. 6.7.

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?

In principle we agree with the concept, although there might be exceptions to the rule when specific circumstances might need other criteria or the use of two methods.

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

This chapter concentrates on the work the valuer has to do in line with his assignment. Most of his work will be influenced by observable data and transactions. If sufficient observables will be available is highly dependent on the transparency in the market. For instance it might be difficult to find comparable discount rates because of the secrecy in that market. Also, since discount rates are so important in the income approach, a bit more guidance about the determination of the applicable discount rate and its components would be useful, maybe even supported by examples.
