

IVS 410: Development Property Exposure Draft Feedback  
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Brown, Nicholas <Nick.Brown@eu.jll.com>

Sun 14/08/2016 16:01

To:

Alexander Aronsohn;

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Dear Alex

I have been reviewing the exposure drafts for IVS 2017 and am generally in agreement with the content. However, I'd like to provide confidential feedback on IVS 410: Development Property (my own views, not JLL's):

1. Page 5, Paragraph 20.2

- a. I believe the first bullet point in the list should be reworded to "*establishing whether proposed projects are financially feasible*". If the words "*economically viable*" must be included this should be stated "*financially feasible/economically viable*" or be included as a separate bullet point.

There are distinct differences between establishing the economic viability and the financial feasibility of a project. Financial feasibility assesses whether a single project would, at a point in time, be developed at looks at micro (project specific) factors. Economic viability should be assessed over an extended period including post development and also considers macro factors to determine whether one project should be developed over another and includes analysis of wider aspects of the company or economy.

2. Pages 12-13, Sub-sections headed Development Profit and Discount Rate

- a. I think there is a danger of the reading being confused by the different ways of modelling a residual valuation, ie. traditional and contemporary (DCF). Paragraph 90.31, the first two sentences need moving to a new paragraph after 90.35. This new paragraph needs to explain that the development profit can either be expressed as a target margin (lump sum, a percentage return on the costs incurred, a percentage of the anticipated value of the project) or the target return (discount rate), depending upon market practice etc. This should be followed by a paragraph for each, explaining when they should be used and as far as discount rates are concerned, can use some of the content from the existing paragraphs 90.36 and 90.37.

I'm happy to provide further clarification if required.

Regards – Nick

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