

IVS400 Real Property Interests

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Tue 07/06/2016 11:49

To: Comment Letters <commentletters@ivsc.org>;

The assumption that lies behind this Exposure Draft is that the valuer is dealing with a property market like that of London in which there are freeholds, leaseholds, licenses, and wayleaves. In many places the situation is much more complex with nuisances in terms of a continuum of property rights and property rights are not necessarily registered.

It is not at all clear how the Exposure Draft deals with customary ownership.

The use of "absolute right" in 21.1 (a) is very misleading. There are few countries in the world in which an owner can be said to have an absolute right even if the owner is permitted to have allodial title.

In 20.5 the valuer needs to be aware of any challenges to the rights. For example, when valuing a hotel in North Cyprus, a pipeline in Canada, a farm in Zambia or property in any country where there is a restitution programme (eg Germany), one should be aware that the current owner's interest is likely to be challenged by others who will claim to have been dispossessed and at some point in the future may be able to press this claim and obtain compensation. The security of the property right has a major bearing upon its value not least because the risk adjusted discount rate to be applied is likely to vary, for example to reflect the likely number of years of peaceful enjoyment and whether any residual asset value is likely to be compensated should the title have to be reassigned.

It would be helpful if 20.7 identified that one of the reasons for valuation is compensation. What valuers may be required to do is to apply the measuring rod of money to losses that may be put in different terms eg environmental, heritage, spiritual. The losses can include of passive use. A good example is the claim by the State of Alaska against Exxon over the grounding and oil spillage from the Exxon Valdez.

In essence, the criticism I am making is that this Exposure Draft is absolutely fine if one is trying to value an office block in Threadneedle Street or a shop in Regent Street. But it is not an international standard because it does not address the range of property interests or situations in which valuation is required.