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August 11, 2017

IVSC Standards Review Board
1 King Street
London EC2V 8AU
United Kingdom

Submitted by email to: aaronsohn@ivsc.org

RE: Comments on IVSC Invitation to Comment

Dear IVSC Standards Review Board:

The Appraisal Institute supports the IVSC plan to proceed with an open and consultative standard setting process and appreciates the opportunity to submit feedback on the May 15, 2017 Invitation to Comment. The Appraisal Institute is a global professional association of real estate appraisers, with nearly 19,000 professionals in almost 60 countries throughout the world. The Appraisal Institute's mission is to advance professionalism and ethics, global standards, methodologies, and practices through the professional development of property economics worldwide. With a focus on real estate and real property valuation issues, the topics raised in the Invitation to Comment are topics that the Appraisal Institute generally does not comment on in detail. However, the Appraisal Institute does have some general comments on valuation standards that we hope you will find useful.

The services of ethical and competent valuers are vital to the well-being of society and the global economy, as such services foster economic growth, stability and public confidence. Because of the essential role that valuers fill there is a wide range of valuation stakeholders including valuers, lenders, borrowers, investors, regulators, governmental entities, the general public, and numerous other individual and entities. There is a wide range in the level of valuation knowledge that each of these groups of valuation stakeholders possess. One way to address this situation is to develop a set of professional valuation standards that is simple (can be understood by a wide range of stakeholders) and straightforward. A wide range of stakeholders would be able to understand valuation standards that are straightforward statements that include a specific prohibition or exhortation, "do this", "don't do that." Conversely, a wide range of stakeholders would have trouble understanding valuation standards that include detailed information on valuation theories and methodologies.

The Appraisal Institute believes that information concerning valuation theories and methodologies does not belong in a standards document. The Appraisal Institute has published a textbook, *The Appraisal of Real Estate*, since 1951. This textbook is now on the 14th edition, and it contains methodology, valuation theory and basic valuation principles. The Appraisal Institute is concerned that the current edition of IVS reads more like a condensed version of such a textbook rather than a set of valuation standards. The topics raised in the Invitation to Comment indicate that the IVS is continuing to move in the direction of increased complexity and detail. The fact that the methodologies currently employed in many of the topic areas raised in the Invitation to Comment are unsettled and not ripe for inclusion in a set of valuation standards is an additional complicating factor. Adding methodology to standards:

- Creates dense standards that are hard to understand by a wide range of stakeholders.

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- Creates ambiguity, which can lead to misinterpretation.
- Creates standards that are slow to adapt to change.
- Stifles the growth of a profession as judgement and the ability to innovate are discouraged when standards prescribe methodologies.
- Creates content that overlaps and may be inconsistent with appraisal principals and procedures educational material and advice.
- Requires practitioners to reference multiple sections of the standards document to find requirements.
- Leads to regulatory enforcement of suggestions and recommendations.

The Appraisal Institute understands that one rationale for the IVS's mix of methodology, valuation theory and basic valuation principles, is that there is a need for such in developing countries and/or for other less developed valuation disciplines. However, a complex, unsettled and ever-changing set of valuation standards may be less helpful to developing entities than a concise, direct and easy to understand set of valuation standards and separate educational resources that cover methodology, valuation theory and basic valuation principles. The Appraisal Institute believes that the technical content of a standard should specify the minimum requirements necessary to achieve the objectives of the standard and not the methodology to achieve it. In other words, standards should focus on what is to be achieved and what is required, i.e. a credible valuation and a report that is not misleading, rather than a prescribed methodology for achieving those goals.

Under the plan outlined in the Invitation to Comment the IVS will be "under construction" for at least the next five years. This unsettledness creates uncertainty in the profession and keeps practitioners and other stakeholders on edge - nobody knows what the standards will look like next year. This unsettledness might be resolved if the IVSC focused on developing valuation standards that were simple, straightforward and universal.

Some might argue that the valuation profession and processes are complex and that the profession therefore needs to have complex standards. However, a standard setting organization could more clearly address this complexity by promulgating principles-based standards and separate advisory materials.

The Appraisal Institute hopes that the following comments will assist the IVSC with improving the understandability, applicability and enforceability of the IVS. Thank you for your consideration of our comments.

Sincerely,



Jim Amarin, MAI, SRA, AI-GRS
President