INTERNATIONAL VALUATION STANDARDS COUNCIL

IVS 410: DEVELOPMENT PROPERTY

EXPOSURE DRAFT

Publication date: 2 June 2016

Comments on this Exposure Draft are invited before 31 August 2016. All replies may be put on public record unless confidentiality is requested by the respondent. Comments may be sent as email attachments to:

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Introduction to Exposure Draft

Why is the International Valuation Standards Board (IVSB) issuing IVS 410 Development Property?

In October 2015 the IVSC published its *Purpose and Strategy Document* which stated that the priority of the IVSC is to expand the quality and depth of International Valuations Standards (IVS) and ensure they are fit for purpose and provide much needed clarity and market efficiency.

Feedback from stakeholders was that this requirement in IVS 2013 was too high level and did not meet the needs of the market and stakeholders. As such, this Exposure Draft incorporates elements of those chapters as well as new elements developed by the Standards Board (the "Board") based on that feedback from stakeholders.

What are the Main Provisions?

The main provisions of this chapter are:

(a) an overview of development property and the circumstances in which they are valued,

(b) a framework for the selection and application of approaches and methodologies for the valuation of development property, and

(c) a discussion of special topics related to the valuation of real property interests including the existing asset, the proposed project, special considerations for secured lending, special considerations for financial reporting, other considerations and reporting.

How do the Proposed Provisions Compare with IVS 2013?

This chapter includes elements from IVS 2013 that were included in IVS *233 Investment Property Interests*. Some of the concepts from IVS 2013 have been clarified and/or expanded upon in this Exposure Draft, but the majority of the content has remained the same. Sections have been added related to selection and application of approaches and methodologies.

Questions for Respondents

The Board invites individuals and organisations 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.

(a) In IVS 2013, all substantive portions of IVS 233 *Investment Property Under Construction* 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?

(b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of both commercial and residential development property regardless of the purpose of the valuation (ie. establishing whether proposed projects are economically viable, loan security, acquisition, taxation, litigation, financial reporting etc.). Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?

(c) Are there any further topics that you feel the Board should add or remove from IVS 410 *Development Property*? If so, what are they and what is your rationale?

IVS 410 Development Property

10. Introduction

10.1. The principles contained in the General Standards apply to valuations of development property. This standard only includes modifications, additional requirements or specific examples of how the General Standards apply for valuations to which this standard applies. Valuations of development property must also follow IVS 400 *Real Property Interests*.

20. Overview

20.1. A Development Property can generally be defined as any property, which has development potential and where its existing use value is below the market value. In the context of this chapter, development properties are defined as interests where improvements are either being contemplated or are in progress at the valuation date and include:

(a) the construction of buildings on previously undeveloped land,

(b) previously undeveloped land which is being provided with infrastructure,

(c) the redevelopment of previously developed land,

(d) the improvement or alteration of existing buildings or structures,

(e) land allocated for development in a statutory plan, and

(f) land allocated for a higher value uses or higher density in a statutory plan.

20.2. Valuations of development property may be required for different purposes including:

- establishing whether proposed projects are economically viable,
- loan security,
- acquisition,
- taxation,
- litigation, and
- financial reporting.

20.3. When valuing development property, valuers should follow the applicable standard for that type of asset or liability (IVS General Standards (IVS 101, 102, 103, 104 and 105), IVS 400 for real property, etc.)

20.4. In addition to the requirements of IVS 103 *Reporting*, valuations of development property should include additional information. Whilst the following is not intended as an exhaustive list and regard should always be had to the purpose for which the valuation is prepared, a valuation report on a development property should also contain the following where relevant and appropriate:

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(a) confirmation of the current status of the development property, eg its physical properties and current use and description of the stage of planning consent or development reached,

(b) a description of the project,

(c) the estimated time and cost to complete,

(d) identification of and, where possible, quantification of the remaining risks associated with the project, distinguishing construction risks from risks associated with ownership and marketing of the completed project,

(e) an appropriate level of detail on the key inputs to the valuation and the assumptions made in determining those inputs.

20.5. Where any of the above information is either provided by, or based on information provided by, a party other than the valuer, see IVS 101 *Scope of Work*, para 20.3 and IVS 103 *Reporting*.

20.6. The value of a development property can be very sensitive to changes in either the value of the completed project or in any of the costs that will be incurred in completing the project. This remains the case regardless of the method or methods used or however diligently the various inputs are researched on the valuation date. Depending on the purpose for which the valuation is required, it may be necessary to highlight any material uncertainty in the valuation.

20.7. This sensitivity also applies to the impact of future changes in either the costs of the project or the value on completion on the current value. If the valuation is required for a purpose where future changes in value over the duration of a construction project may be of concern to the user (e.g. where the valuation is for loan security or to establish a project's viability), it may be appropriate to highlight the potentially disproportionate effect of possible changes in either the construction costs or end value on the profitability of the project and the value of the part completed property. A sensitivity analysis is sometimes useful for this purpose provided it is accompanied with a suitable explanation.

30. **Basis of Value**

30.1. In accordance with IVS 104 *Bases of Value*, a valuer must select the appropriate basis(es) of value when valuing development property.

30.2. The valuation of development property often includes a significant number of assumptions and special assumptions regarding the condition or status of the building when complete. For example, special assumptions may be made that the development has been completed or that the property is fully leased. As required by IVS 101 *Scope of Work*, significant assumptions and special assumptions used in a valuation must be communicated to all parties to the valuation engagement.

30.3. Frequently it will be either impracticable or impossible to verify every feature of a development property which could impact on potential future development, such as where ground conditions have yet to be investigated. When this is the case, it may be appropriate to make assumptions (eg that there are no abnormal ground conditions that would result in significantly increased costs). If this was an assumption that a market participant would not make it would need to be presented as a special assumption.

30.4. In situations where there has been a change in the market since a project was originally conceived, a project under construction may no longer represent the highest and best use of the land. In such cases, the costs to complete the project originally proposed may be

irrelevant as a buyer in the market would either demolish any partially completed structures or adapt them for an alternative project. The value of the development property under construction would need to reflect the current value of the alternative project and the costs and risks associated with completing that project.

30.5. For some development properties, the property is closely tied to a particular use or business/trading activity or a special assumption is made that the completed property represents an operating business. In such cases, the valuer should also comply with the requirements of IVS 200 on the Valuation of Business and Business Interests and, where applicable, IVS 210 on Intangible Assets.

40. **Valuation Approaches**

40.1. The three principal valuation approaches described in IVS 105 *Valuation Approaches and Methods* can all be applicable for the valuation of a real property interest. However, there are two primary methods used in the valuation of development property:

(a) the Market Approach, and

(b) a hybrid of all three approaches often referred to as the "residual approach" which is based on the completed "gross development value" and then deducting development costs and developer's return to arrive at the value of the development property (see Section 90).

40.2. When selecting an approach and method, in addition to the requirements of this chapter, a valuer must follow the requirements of IVS 105 *Valuation Approaches and Methods*, including para 10.3.

40.3. The valuation approach to be used will depend on the required basis of value as well as specific facts and circumstances, eg the level of recent transactions, the stage of development of the project and movements in in property markets since the project started, and should always be that which is most appropriate to those circumstances. Therefore the exercise of judgment in the selection of the most suitable approach is critical.

50. **Market Approach**

50.1. Some types of development property can be sufficiently homogenous and frequently exchanged in an active market for there to be sufficient data from recent sales to use as a direct comparison where a valuation is required. An example could be relatively small plots of land suitable for similar types of building with all necessary off site infrastructure in place.

50.2. The market approach has limited application for larger or more complex development property, or smaller properties where the proposed improvements are heterogeneous. This is because the number and extent of the variables between different properties make comparisons unreliable. Examples of variables which can render the market approach unreliable for development properties that may appear superficially similar include differences in what may be legally built, different ground conditions, different on or offsite infrastructure requirements and differences in the availability of services.

50.3. For development property where work on the improvements has commenced but is incomplete, the application of the market approach is even more problematic. Such properties are rarely transferred between market participants in their partially completed state, except as either part of a transfer of the owning entity or where the seller is either

insolvent or facing insolvency and therefore unable to complete the project. Even in the unlikely event of there being evidence of a transfer of another partially completed development property close to the valuation date, the degree to which work has been completed would almost certainly differ, even if the properties were otherwise similar.

50.4. The market approach may also be appropriate for establishing the value of a completed property as one of the inputs required under the residual method, which is explained more fully in the section on the Residual Method (Section 90).

60. **Income Approach**

60.1. The market value of a development property will reflect the expectations of market participants of the value of the property when complete, less deductions for the costs that they will incur to complete the project with appropriate allowances for profit and risk. These expectations can be reflected in an income approach that allows the anticipated cash outflows and inflows over the duration of the project to be modelled in order to give an indication of the present value by applying an appropriate discount rate to reflect the anticipated timing and risk of those cash flows in relation to the valuation date.

60.2. The income approach may also be appropriate for establishing the value of a completed property as one of the inputs required under the residual method, which is explained more fully in the section on the Residual Method (Section 90).

60.3. A valuation of development property may be undertaken using either a nominal or a real cash flow model. In either model, the objective is to estimate the value on the special assumption that the property is complete, from which appropriate deductions are then made in order to estimate the value of the property in its present condition. The more appropriate of these alternatives will be the one prevailing in the market for the class of property on the valuation date. Inputs from one model should not be used in the other, and the report should make clear which approach is being adopted.

70. **Cost Approach**

70.1. The cost approach may be more relevant than other approaches as a means of indicating the value of development property where the proposed development is of a building or other structure for which there is no active market on completion or which will generate no income or benefits in lieu of income.

70.2. The cost approach is based on the economic principle that a buyer will pay no more for an asset than the cost of it obtaining an asset of equal utility. To apply this principle to development property it is necessary to consider the cost that a prospective buyer would incur in acquiring a similar asset with the potential to earn a similar profit from development as could be obtained from development of the subject property. However, unless there are unusual circumstances affecting the subject development property, the process of analysing a proposed development and determining the anticipated costs for a hypothetical alternative would effectively replicate either the market approach or the residual method as described above, which can be applied directly to the subject property.

70.3. Another difficulty in applying the cost approach to development property is in determining the profit level, which is its “utility” to a prospective buyer. Although a developer may have a target profit at the commencement of a project, the actual profit is normally determined by the value of the property at completion. Moreover, as the property approaches completion, some of the risks associated with development are likely to reduce, which may impact on the required return of a buyer. Unless a fixed price has been agreed, profit is not determined by the costs incurred in acquiring the land and undertaking the improvements. Consequently, unless the property interest being valued is subject to a sale agreement on

completion that guarantees a return on cost that is either fixed or defined within specified limits, an approach that relies only on the cost of completing the development plus a target profit is unlikely to give as reliable an indication of the current value of that interest as the residual approach.

80. **Special Considerations for a Development Property**

80.1. The following sections address a non-exhaustive list of topics relevant to the valuation of development property:

(a) Residual Method (Section 90)

(b) Existing Asset (Section 100)

(c) Special Considerations for Financial Reporting (Section 110)

(d) Special Considerations for Secured Lending (Section 120)

90. **Residual Method**

90.1. The residual method is so called because the current value of the development property is indicated by the residual amount after deducting all known or anticipated costs required to complete the development from the anticipated value following completion. Many residual value models can be adapted so that the residual amount relates to other elements of the project, for example the estimated profit that a project will return for a given land cost or construction cost. However, this chapter only relates to its use to indicate the value of development property.

90.2. Caution is required in the use of this method because of the sensitivity of the result to changes in many of the inputs, which may not be precisely known on the valuation date, and therefore have to be estimated and may be based on assumptions.

90.3. The residual value can be highly sensitive to relatively small changes in the forecast cash flows. For example, a relatively minor change in either the anticipated value on completion, the costs of completing the project or the time required to complete the project has a much greater relative impact as a percentage of the current value. The reliability of this method is therefore dependent upon the quality of the information available on the timing and costs that are anticipated and the accuracy with which the value of the completed project can be estimated. As the residual value of land can vary greatly when different cash flow assumptions are used, land values derived by this method should be checked against a market approach wherever comparable data is available.

90.4. The models used to apply the residual method vary considerably in complexity and sophistication, with the more complex models allowing for greater granularity of inputs, multiple development phases and sophisticated analytical tools. The most suitable model will depend on the size, duration and complexity of the proposed development.

90.5. In applying the residual method, a valuer should consider and evaluate the reasonableness and reliability of the following:

(a) the source of information on any proposed building or structure, eg any plans and specification that are to be relied on in the valuation, and

(b) any source of information on the construction and other costs that will be incurred in completing the project and which will be used in the valuation.

90.6. The following basic elements require consideration in any application of the method to estimate the market value of development property and if another basis is required alternative inputs may be required.

(a) Completed Property value

(b) Construction Costs

(c) Consultants Fees

(d) Marketing Costs

(e) Timetable

(f) Finance Costs

(g) Development Profit

(h) Discount Rate

Value of Completed Property

90.7. The first step requires an estimate of the value of the relevant interest in the real property following completion of the development project, which should be developed in accordance with IVS 105 *Valuation Methods and Approaches*.

90.8. In the residual approach, calculation of “gross development value” will depend on the type and complexity of property being considered. With commercial property the income approach is usually more appropriate based on anticipated cash flows being discounted to the date of valuation. Similarly, large scale multi-phased residential and mixed use developments for sale or for rent may rely on the income approach in calculating gross development value. For smaller scale developments where dwelling units are for sale, direct comparable evidence may be used to calculate gross development value.

90.9. Regardless of the approach adopted, two alternative assumptions are available:

(a) the estimated gross development value is based on values that are current on the valuation date but on the special assumption the project had already been completed in accordance with the defined plans and specification; or

(b) the estimated gross development value is based on the expected value on the date the project is due to be completed in accordance with the defined plans and specification.

90.10. Market practice and availability of relevant data should determine which of these assumptions is more appropriate. However, it is important that there is clarity as to whether current or projected values are being used.

90.11. If projected values are being used it should be made clear that these are based on expectations that a market participant would make based on information available on the valuation date.

90.12. It is also important that care is taken to ensure that consistent assumptions are used throughout the residual value calculation, ie if current values are used then the costs should also be current and discount rates derived from analysis of current prices.

90.13. If there is a pre-sale or pre-lease agreement in place that is conditional on the project, or a relevant part, being completed, this will be reflected in the valuation of the completed property. Care should be taken to establish whether the price in a pre-sale agreement or the rent and other terms in a pre-lease agreement reflect those that would be agreed between market participants on the valuation date.

90.14. If the terms are not reflective of the market, adjustments may need to be made to the valuation.

90.15. It would also be appropriate to establish if these agreements would be assignable to a purchaser of the relevant interest in the development property prior to the completion of the project.

Construction Costs

90.16. The costs of all work required at the valuation date to complete the project to the defined specification need to be identified. Where no work has started, this will include any preparatory work required prior to the main building contract, such as the costs of obtaining statutory permissions, demolition or off site enabling work.

90.17. Where work has commenced, or is about to commence, there will normally be a contract or contracts in place that can provide best evidence of cost. However, if there are no fixed price contracts in place, or if the actual contract costs are not typical of those that would be agreed in the market on the valuation date then it may be necessary to estimate these costs reflecting the reasonable expectation of market participants on the valuation date of the probable costs.

90.18. The benefit of any work carried out prior to the valuation date will be reflected in the value, but will not determine that value. Similarly, previous payments under the actual building contract for work completed prior to the valuation date are not relevant to current value.

90.19. In contrast, if payments under a building contract are geared to the work completed, the sums remaining to be paid for work not yet undertaken at the valuation date may be the best evidence of the construction costs required to complete the work.

90.20. However, contractual costs may include special requirements of a specific end user and therefore may not reflect the general requirements of market participants.

90.21. Moreover, if there is a material risk that the contract may not be fulfilled, (eg due to a dispute or insolvency of one of the parties), it may be more appropriate to reflect the cost of engaging a new contractor to complete the outstanding work.

90.22. When valuing a partly completed development property, it is not appropriate to rely solely on projected costs and income contained in any project plan or feasibility study produced at the commencement of the project.

90.23. Once the project has commenced, this is not a reliable tool for measuring value as the inputs will be historic. Likewise an approach based on estimating the percentage of the project that has been completed prior to the valuation date is unlikely to be relevant in determining the current market value.

Consultants' Fees

90.24. These must include legal and professional costs that would be reasonably incurred by a market participant at various stages through to the completion of the project.

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Marketing Costs

90.25. If there is no identified buyer or lessee for the completed project, it will normally be appropriate to allow for the costs associated with appropriate marketing, and for any consultants fees incurred for marketing not included under para 90.23.

Timetable

90.26. The duration of the project from the valuation date to the expected date of physical completion of the project needs to be considered, together with the phasing of all cash outflows for construction costs, consultants' fees etc.

90.27. If there is no sale agreement in place for the relevant interest in the development property following practical completion, an estimate should be made of the marketing period that might typically be required following completion of construction until a sale is achieved.

90.28. If the property is to be held for investment after completion and if there are no pre-leasing agreements, the time required to reach stabilised occupancy needs to be considered (ie the period required to reach a realistic long-term occupancy level). For a project where there will be many individual letting units, the stabilised occupancy level may be less than 100 per cent if market experience indicates that a number of units will always be vacant, and allowance must also be made for costs incurred by the owner during this period such as additional marketing costs, incentives, maintenance and unrecoverable service charges.

Finance Costs

90.29. These represent the cost of finance for the project from the valuation date through to the completion of the project, including any period required after physical completion to either sell the interest or achieve stabilised occupancy. As a lender may perceive the risks during construction to differ substantially from the risks following completion of construction, the finance cost during each period may also need to be considered separately. Even if an entity is intending to self-fund the project, an allowance should be made for interest at a rate which would be obtainable by a market participant for borrowing to fund the completion of the project on the valuation date.

Development Profit

90.30. Allowance should be made for development profit, or the return that would be required by a buyer of the development property in the market place for taking on the risks associated with completion of the project on the valuation date. This will include the risks involved in achieving the anticipated income or capital value following physical completion of the project.

90.31. This target profit can be expressed as a lump sum, a percentage return on the costs incurred or a percentage of the anticipated value of the project on completion. Market practice for the type of property in question will normally indicate the most appropriate option. The amount of profit that would be required will reflect the level of risk that would be perceived by a prospective buyer on the valuation date and will vary according to factors such as:

(a) The stage which the project has reached on the valuation date. A project which is nearing completion will normally be viewed as being less risky than one at an early stage, with the exception of situations where a party to

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the development is insolvent.

(b) Whether a buyer or lessee has been secured for the completed project.

(c) The size and anticipated remaining duration of the project. The longer the project, the greater the risk caused by exposure to fluctuations in future costs and receipts and changing economic conditions generally.

90.32. The following are examples of factors that may typically need to be considered in an assessment of the relative risks associated with the completion of a development project:

(a) unforeseen complications that increase construction costs

(b) potential for contract delays caused by adverse weather or other matters outside of developer's control,

(c) delays in obtaining statutory consents,

(d) supplier failures,

(e) regulatory changes,

(f) delays in finding a buyer or lessee for the completed project.

90.33. Whilst all of the above factors will impact on the perceived riskiness of a project and the profit that a buyer or the development property would require, care must be taken to avoid double counting, either where contingencies are already reflected in the residual valuation model or risks in the discount rate used to bring future cash flows to present value.

90.34. The risk of the estimated value of the completed development project changing due to changed market conditions over the duration of the project will normally be reflected in the discount rate or capitalisation rate used to value the completed project.

90.35. The profit anticipated by the owner of an interest in development property at the commencement of a development project is irrelevant to the valuation of its interest in the project once construction has commenced. As the project achieves development milestones, the risks associated with the project are likely to reduce, albeit not in a consistent manner as some projects are riskier in the planning phase, others in the construction phase and others in the revenue-generating phase. The valuation should reflect those risks remaining at the valuation date and the discount or return that a buyer of the partially completed project would require for bringing it to a successful conclusion.

Discount Rate

90.36. In order to arrive at an indication of the value of the development property on the valuation date the residual method requires the application of a discount rate to all future cash flows in order arrive at a net present value, ie the present value of all anticipated cash inflows less the present value of all anticipated cash outflows. This discount rate may be derived using a variety of methods. (See IVS 105 *Valuation Approaches and Methods*, paras 60.9–60.11)

90.37. If the cash flows are based on values and costs that are current on the valuation date, the risk of these changing between the valuation date and the anticipated completion date should be considered and reflected in the discount rate used to determine the present value. If the cash flows are based on prospective values and costs, the risk of those

projections proving to be inaccurate should be considered and reflected in the discount rate.

100. Existing Asset

100.1. In the valuation of development property it is necessary to establish the suitability of the real property in question for the proposed development. Some matters may be within the valuer's knowledge and experience but some may require information or reports from other specialists. Matters that typically need to be considered for specific investigation when undertaking a valuation of a development property before a project commences include:

(a) legal permissions or zoning, including any conditions or constraints on permitted development,

(b) limitations, encumbrances or conditions imposed on the relevant interest by private contract,

(c) rights of access to public highways or other public areas,

(d) geotechnical conditions, including potential for contamination or other environmental risks,

(e) the availability of and requirements to provide or improve necessary services, eg water, drainage and power,

(f) the need for any off-site infrastructure improvements and the rights required to undertake this work,

(g) any archaeological constraints or the need for archaeological investigations,

(h) economic conditions and trends and their potential impact on costs and receipts during the development period,

(i) current and projected supply and demand for the proposed future uses,

(j) the availability and cost of funding,

(k) the expected time required to deal with preparatory matters prior to starting work, for the completion of the work and, if appropriate, to rent or sell the completed property, and

(l) any other risks associated with the proposed development.

100.2. Where a project is in progress, additional enquires or investigations will typically be needed into the contracts in place for the design of the project, for its construction and for supervision of the construction.

110. Special Consideration for Financial Reporting

110.1. The accounting treatment of development property can vary depending on how it is classified by the reporting entity (eg whether it is being held for sale, for owner occupation or as investment property). This may affect the valuation requirements and therefore the classification and the relevant accounting requirements need to be determined.

110.2. Financial statements are normally produced on the assumption that the entity is a going concern. It is therefore normally appropriate to assume that any contracts (eg for the construction of a development property or for its sale or leasing on completion), would pass to the buyer in the hypothetical exchange, even if those contracts may not be assignable in an actual exchange. An exception would be if there was evidence of an abnormal risk of default by a contracted party on the valuation date.

120. Special Considerations for Secured Lending

120.1. The appropriate basis of valuation for secured lending is normally market value. However, in considering the value of a development property, regard should be had to the probability that any contracts in place, eg for construction or for the sale or leasing of the completed project may, become void or voidable in the event of one of the parties being the subject of formal insolvency proceedings. Therefore, it may be appropriate to highlight the risk to a lender caused by a prospective buyer of the partially completed project not having the benefit of existing building contracts and any associated warrantees and guarantees in the event of a default by the borrower.

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IVS 410 Development Property: Basis for Conclusions

The basis for conclusions do not form part of IVS 2017 and will not be included in the finalised document, but have been drafted to provide the reader with the rationale behind certain changes made within this Exposure Draft. The Board feels that the inclusion of this section is a necessary part of the consultative process and is in line with the recommendation contained within the IVS Purpose and Strategy Document requirement that "standards need sufficient consultation" and that the IVSC should be "operating in an open and transparent way".

In October 2015 IVSC published their *Purpose and Strategy Document* which stated that the priority of the IVSC is to expand the quality and depth of IVS and ensure they are fit for purpose and provide much needed clarity and market efficiency.

The Board has changed the numbering of many of the asset standards to allow for more flexibility in future standard-setting activities. As a result, this chapter, which was IVS 233 in IVS 2013 has been re-numbered to IVS 410. Furthermore, the numbering within the chapter has been revised so that there is more consistency in the format of standards between the various asset standards. The new format for the various asset standards will be as follows:

Section 10: Overview
Section 20: Introduction
Section 30: Bases of Value
Section 40: Valuation Approaches and Methods
Section 50: Market Approach
Section 60: Income Approach
Section 70: Cost Approach
Section 80 (and thereafter): Special Considerations

Discussions with stakeholders indicated that there was a significant amount of confusion related to what content represented mandatory standards versus what content represented non-mandatory commentary. The Board notes that in IVS 233 (like many other IVS 2013 standards), all substantive portions of the standard were labelled as "commentary" with the exception of the scope and effective date sections. This Exposure Draft has eliminated the "commentary" label to make it clear that the contents are mandatory for compliance with IVS.

The Board believes that one of the primary purposes of standards is to reduce diversity in practice. The IVSC performed outreach to stakeholders and identified several areas of diversity in practice related to the valuation of real property interests. As a result of that outreach, this Exposure Draft includes new requirements related to:

- an overview of development property and the circumstances in which they are valued,
- the selection of valuation approaches and methodologies.

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