

# IVSC TAB Meeting Update March 2024

This IVSC Update highlights preliminary decisions of the IVSC Tangible Assets Board (Board). Projects affected by these decisions can be found on the IVSC Publication Schedule. The Board's final decisions on IVS® Standards and Amendments as set out in the IVSC Standards Review Board Due Process and Working Procedures.

The Board met remotely on 27 March 2024. The topics in order of discussion were:

## Administration

- IVSC TAB Meeting Update March 2024  
(*IVSC TAB Meeting Update March 2024*)

## Global Insights & Markets Update

Around the World – Markets update 2024

- Africa – Molefi Kubuzie
- North America – James Gavin, Brendan Gallagher, Kyle TenHuisen
- South America – Eduardo Rottman
- Asia/Oceania – CK Lau, Sandip Kumar Deb, Kim Hildebrandt
- Europe – Ludmila Simonova, Becky Gaughan
- Middle East – Paakow Winful, Ron Cohen-Seban

## Perspective Papers

- IVSC Perspectives Paper on Inspection – Kim Hilderbrandt/Alexander Aronsohn  
(*2024.03.25, Draft IVSC TAB Perspectives Paper on Inspection*)
- Update on other – Kim Hilderbrandt/Alexander Aronsohn
  - Listed vs Unlisted
  - Prudential Value

## Agenda Consultation

- Agricultural and Plantation Land / Biological Assets (forests, plantations etc) - Sandip Kumar Deb (Medium Term)  
(*IVSC SRB Topic Form to be Provided by Sandip post agenda item discussion*)
- Compulsory Purchase/ Expropriation/compensation/Unregistered land - Sandip Kumar Deb/Molefi Kubuzie (Medium Term)  
(*IVSC SRB Topic Form to be Provided by Sandip post agenda item discussion*)
- TAB Proposed Agenda Consultation Topics – All  
(*2024.03.27. TAB Proposed Agenda Consultation Topics*)

## Administration

- SRB update – Kim Hildebrandt/Alexander Aronsohn  
(*2024.03.18. ESG Survey Questions for Valuation Providers*)
  - ESG Survey
  - Update from SRB New York Meeting
- IVSC TAB Working Groups and Timing – All  
(*2024.03.27. IVSC TAB Working Groups*)
  1. TAB MV and Prudential Value Working Group
  2. TAB ESG Working Group
  3. TAB Inspection Working Group
  4. AI Working Group

- New TAB Members
  - Charles Golding – RICS (Royal Institution of Chartered Surveyors)
  - Leo Lo – CEO Fonto Holdings Limited
  - Paloma Arnaiz – AEV (Asociación Española de Análisis de Valor)
- AOB – All

The Board was asked if there were any conflicts of interest in relation to the proposed topics and no conflicts were declared.

## Administration

### IVSC TAB Meeting Update March 2024 (IVSC TAB Meeting Update March 2024)

The Board reviewed the IVSC meeting update and agreed that it was an accurate report of the meeting. There were no further revisions suggested and the meeting update was approved by the TAB.

### Next steps

No action required.

## Global Insights & Markets Update

### Around the World – Markets update

The Board provided general market updates.

- *Africa*  
*South Africa - Molefi Kubuzie*
  - Market in South Africa not very active at the moment.
  - Monetary Committee in South Africa have kept interest rates the same.
  - Interest rates are still high and the market needs time to recover.
  - Current issues with energy supply and electricity supply are having a dampening effect on the market and as a result there is an increasing demand for alternative energy such as solar and wind to face this challenge.
  - Many decommissioned energy plants have been recommissioned to face this challenge.
- *North America*  
*USA - James Gavin*
  - Attended National Real Estate Invest Trust Meeting where the view was expressed that 2024 was a transition year due to US elections etc.
  - Continued increase on returning assets to lenders as loan is above Fair Value. This includes 5 major hotels.
  - For listed and unlisted assets there is some correlation between the bid and ask price but on the whole of the valuation of listed assets is seen as too optimistic and the valuation of unlisted assets is seen as too pessimistic.

#### *USA - Kyle TenHuisen*

- Transactions are down as USA heads to an election year; transactions are not expected to increase in the near future.
- Uncertainty regarding potential rate cuts from banks and how this will affect the valuations.

#### *Canada – Brendan Gallagher*

- No further update re Canada. Situation as previously advised.
- Currently seeing multiple interest rate decreases and the interest rate is currently at 4% so increased due diligence and Merger and Acquisition activity.
- Market expecting further rate cuts in 2024.
- Most work relating to impairment work and refining of values and market volatility has led to an increase in valuation instructions in some areas.
- Inflation currently stands at 3/4%.

- *Europe*

#### *Ludmila Simonova*

- War ongoing and situation still difficult and market uncertain and many Ukrainians have relocated to the West.
- Had a very useful and successful meeting with members of the Advisory Forum on ESG.

#### *Becky Gaughan*

- Office market is quite positive at the moment.
- Clients are currently interrogating valuations more and are requesting audits and reviews of valuations.
- Valuers are needing to send far more detailed information to auditors than what was previously requested.
- Issue in relation to data management with some valuation data software providers requesting for valuers to upload their reports on site. Valuation providers are flagging this issue when negotiating contracts.
- BG, JG and KH advised that they had the same issue with the ownership of data in their markets.

- *South America – Eduardo Rottman*

- UPAV currently working on the translation of IVS into Spanish and Portuguese.
- Have scheduled an IVS Webinar for UPAV and IBAPE in the next few weeks.
- Lot of interest in IVS in most Latin American countries as many of these countries have no national valuation standards.

- Argentina and Venezuela are currently facing economic difficulties caused by high inflation and increasing costs and are going through a recession.
- In Brazil, Columbia, Chile, and Peru the economy is relatively stable.
- Brazilian real estate market is generally doing well as there has been a reduction in interest rates and the economy is growing largely thanks to agriculture.
- In Brazil the vacancy rate for commercial real estate has been falling and the industrial market is doing very well.
- UPAV are currently preparing for their conferences in Chile and V20 in Rio De Janeiro between 30<sup>th</sup> September and the 2<sup>nd</sup> October.
- *Middle East*  
*Paakow Winful*
  - In general, the Saudi Arabian market is different and the residential and commercial markets are continuing to heat up. This is partly due to the push to double the size and population of Riyadh in the next decade.
  - AA will be working with TAQEEM to update their manuals to ensure compliance with the IVS revisions.
  - TAQEEM are finalising the translation of IVS into Arabic and AA and PW will be providing a presentation on IVS Updates to TAQEEM in May.
- Ron Cohen-Seban*
  - In Israel the biggest influence on the market is the war.
  - Israeli Government Debt has been downgraded.
  - Economy still working and residential prices began to rise again with a 2% increase in the past month. Valuers from large firms were called to a round table as research from the Bank of Israel that the difference between the value of listed and unlisted was too high .
  - IVSC presented to an Israeli think tank who are looking to incorporate IVS 410 Development Property into Israeli law.
- *Asia/Oceania*  
*Kim Hildebrandt*
  - No increase in the vacancy rate for Grade A offices and the vacancy rate was currently holding at 3/5%.
  - There is still an issue with the valuation of listed and unlisted assets with the difference now being 25/30%.

- Discussed issues in relation to Prudential Value with the Australian regulators.
- There had been changes to AASB 13 in relation to fair value of Not-for-Profit Public Sector Entities, AA and KH will reach out to Ian Carruthers to discuss harmonisation of concepts and standards.
- Changes to IVS had been well received in Australia though some stakeholders wanted great granularity on standards for valuation process quality control, data and inputs and models.

## **Next steps**

AA and KH to reach out to Ian Carruthers of the IPSASB in relation to Operational Value and Social Value.

## **Perspective Papers**

### **IVSC Perspectives Paper on Inspection (2024.03.25 Draft IVSC TAB Perspectives Paper on Inspection)**

The Board was asked to provide feedback on the perspectives paper and to use page numbers and appropriate references when sharing changes.

The Board was further asked to use track changes when providing feedback and to share the feedback with AA and KH so they could review the feedback and provide the appropriate revisions.

The Board discussed the checklist and hierarchy and were comfortable with the hierarchy of inspection referred to in the perspective paper.

The Board also discussed referencing issues when referring to other standards within the perspectives paper and AA advised that the IVSC would deal with any referencing issues as part of the publication process.

The Board felt that the perspective paper provided greater clarity on what a valuer needed to do in relation to inspection.

The Board also felt that the perspective paper should illustrate varying market practices in an informative manner without appearing to be critical.

KH shared the following different market practices:

- Australia: API Mandates inspection for all real estate valuation.

- UK: RICS recommends physical inspection but accepts that there may be reasons why physical inspections are not required.
- USA: USPAP does not require physical inspection.

The Board recommended that the perspective paper should also include requirements for other market such as Brazilian standard for asset valuation (ABNT NBR 14653-1:2019), which defines inspection as an 'essential activity'.

AA and KH advised that they would adjust the perspective paper accordingly.

Board also noted that in some instances inspection was a legal requirement.

Board also discussed who should undertake the inspection and noted that under USPAP the personal inspection must be undertaken by the valuer, whereas other standard setters did not necessarily require the valuer to undertake an inspection.

The Board did not feel that it was the role of the IVS to state who should undertake the inspection but felt that there should be greater transparency on who was undertaking the inspection.

The Board felt that depending on the responses received this could be a suitable topic for a second perspective paper in the series. The Board also felt that a second perspective paper could deal with the use of drone and technology for inspection.

KH asked whether any further comments had been received from the Advisory Forum.

AA advised that since Ben Elder had become chair of the Advisory Forum no further comments had been received.

Board also discussed the sharing of the perspectives paper and agreed that the draft perspective paper should be shared with the SRB, BVB and FIB for consideration and review.

## **Next steps**

TAB to provide feedback to KH and AA by close of play on Friday 5<sup>th</sup> April. AA to share the perspective paper with the SRB, BVB and FIB and to provide them with a two week deadline for comment and review. ER to provide details on the Brazilian requirements in relation to inspection.

## **Update on other Perspectives Papers (Listed vs Unlisted and Prudential Value, ESG and PEI)**

AA advised that AA and KH were still in the process of drafting the perspective papers on Prudential Value, Listed vs Unlisted and ESG and PEI and that they would share the draft perspective papers in due course.

### **Next steps**

AA to share the draft perspective papers with the TAB in due course.

## **Agenda Consultation**

### **Agricultural and Plantation Land/Biological Assets (forests, plantations etc) (Medium Term) (IVSC SRB Topic Form to be Provided by Sandip post agenda item discussion)**

Unfortunately, SKD was unable to join this conference call so discussion on this topic was delayed until the next TAB Meeting.

### **Next steps**

AA to include Agricultural and Plantation Land/Biological Assets as an agenda item for the next TAB conference call. SKD to provide a topic form on Agricultural and Plantation Land/Biological Assets.

### **Compulsory Purchase/ Expropriation/compensation/Unregistered land - Sandip Kumar Deb/Molefi Kubuzie(Medium Term) (IVSC SRB Topic Form to be Provided by Sandip post agenda item discussion)**

Unfortunately SKD was unable to join this conference call so discussion on this topic was delayed until the next TAB Meeting.

### **Next steps**

AA to include Compulsory Purchase/ Expropriation/compensation/Unregistered land as an agenda item for the next TAB conference call. SKD to provide a topic form on Compulsory Purchase/ Expropriation/compensation/Unregistered land.

### **TAB Proposed Agenda Consultation Topics (2024.03.27. TAB Proposed Agenda Consultation Topics)**



AA advised that the TAB Proposed Agenda Consultation Topics were as follows:

- Agricultural and Plantation Land / Biological Assets (forests, plantations etc) SKD
- Compulsory Purchase/ Expropriation/compensation/Unregistered land (TAB) – LS/SKD/MK
- Insurance Valuations (Medium/Long Term)
- Private vs Public Markets (Short/Medium Term)
- Prudential Value (Short/Medium Term)
- Quality Control and Individual Valuer (Medium Term)
- Inspections and Investigations (Short Term)
- Valuation Risk /Valuation in a volatile market, Reasonable Range (Short/Medium Term)
- Valuation Reviews, Appeals and External Audit (Medium Term)
- Artificial Intelligence/Blockchain/Real Asset Tokenisation (Medium/Long Term)

AA further advised that the timing for these topics were as follows:

- Short Term = 0 - 2 years
- Medium Term = 2 – 4 Years
- Long Term = 4 – 6 years

AA further advised that he would be including the IVS Agenda Consultation as a and agenda item for the next IVSC conference call and will be sharing a draft of the IVS Agenda Consultation in advance of the next TAB conference call

### **Next steps**

AA to include the IVS Agenda Consultation as an agenda item for the next IVSC conference call and will be share a draft of the IVS Agenda Consultation in advance of the next TAB conference call

## Administration

### SRB update (2024.03.18. ESG Survey Questions for Valuation Providers)

- **ESG Survey**

AA advised that the IVSC ESG survey had been finalised by the IVSC SRB ESG working group and was due to run between 28<sup>th</sup> March 2024 and the 31<sup>st</sup> May 2024.

AA asked all the TAB to participate in the survey and to distribute the survey amongst their stakeholders.

#### **Next steps**

TAB to participate in the ESG Survey and to distribute to stakeholders.

- **Update from SRB New York Meeting**

KH advised that the SRB had a very productive meeting in New York and some of the topics discussed were as follows:

**Agenda Consultation:** Discussed Agenda Consultation topics and market outreach.

**Valuation Risk:** This is a key topic for the Agenda Consultation and the SRB had a general discussion on the different types of valuation risk and a good public meeting on this topic..

**Academia:** The SRB Have set up an IVS SRB Academic working group and want to explore more ways to interact with Academia and to include them in working groups for topics such as AI where academics may be able to advise on future developments coming to the market and to assist in research on new asset classes such as Digital Assets. Mauro will chair this working group.

#### **Next steps**

None.

### IVSC TAB Working Groups and Timing (2024.03.27. IVSC TAB Working Groups)

#### **1. TAB MV and Prudential Value Working Group**

Working Group still in the process of finalising the perspectives paper and have been reviewing recent comments from EMF, RICS and TEGOVA. Aim to publish the perspectives paper in Q3 2024.

## **2. TAB ESG Working Group**

Working Group agreed the outline for a perspectives paper on ESG and PEI and aim to publish this in Q3 2024.

## **3. TAB Inspection Working Group**

Working group finalising perspectives paper and aim to publish in June 2024.

## **4. AI Working Group**

This is a more an SRB topic though TAB may issue future perspective papers in relation to AVMs and real estate valuation.

## **New TAB Members**

TAB were advised that the following new members were joining the TAB:

- *Charles Golding – RICS (Royal Institution of Chartered Surveyors)*
- *Leo Lo – CEO Fonto Holdings Limited*
- *Paloma Arnaiz – AEV (Asociación Espanola de Análisis de Valor)*

TAB were further advised that KH and AA would be having an induction call and presentation on Wednesday 3<sup>rd</sup> April.

TAB were also advised that the new TAB members would be joining the next TAB conference call on Wednesday 8<sup>th</sup> May 2024

## **AOB – All**

TAB agreed to cancel the next TAB conference call on the 10<sup>th</sup> of April 2024 as it was under two weeks after this call, and this would give AA and KH further time to focus on perspectives papers and other matters.