

IVSC TAB Meeting Update September 2023

Items shown in bold italics should include links to the relevant documents.

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 13 September 2023. The topics in order of Discussion were:

Contents

Administration

- IVSC TAB Meeting Update August 2023
(IVSC TAB Meeting Update August 2023)
- IVSC Publications Update
(23.09.13. IVSC Publication Schedule)

Global Insights & Markets Update

- Around the World – IVS Consultation Consideration
- *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*

Standard Setting

- IVS General Standards Update - Kim Hilderbrandt/Alexander Aronsohn
(2023.09.07. Revised IVS General Standards with and without track changes)
- IVS 300 Working Group Update - Alexander Aronsohn/Brendan Gallagher
(2023.09.07. IVS Exposure Draft Consultation Responses Spreadsheet)
- IVS 400 Working Group Update – Alexander Aronsohn/James Gavin
(2023.09.07. IVS Exposure Draft Consultation Responses Spreadsheet)
- IVS 410 Working Group Update - Alexander Aronsohn/Sandip Kumar Deb
(2023.08.04. IVS 410 Asset Standard Consultation Responses)
- Consultation Response Review Process – Kim Hilderbrandt/Alexander Aronsohn

Updates and Administration

- Prudential Value Update – Kim Hildebrandt/Alexander Aronsohn
(2023.09.07. EMF Basel III Update)
- Listed v Unlisted Update – Kim Hildebrandt/CK Lau/Becky Gaughan
- Commission for Europe Update – Kim Hildebrandt/Alexander Aronsohn
- TAB and SRB Working Groups – All
(Standing item only, see 2023.09.07. IVSC TAB Working Groups and 2023.09.07. IVSC SRB Working Groups)
- *IVS Agenda Consultation 2024 and Key Topics for 2024 Agenda Consultation (FYI) – All*
(Standing item only, see 23.09.07. Proposed Agenda Consultation Topics)
- Stakeholder Engagement
- AOB

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 August 2023 (IVSC TAB Meeting Update August 2023)

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.

IVSC Publications Update (23.09.13. IVSC Publication Schedule))

The Board met on the 12th of September 2023 and discussed the proposed timetables for some of its forthcoming consultation documents. The Board felt that the publication dates might vary depending on the responses received from the IVS Exposure Draft consultation.

Next steps

No action required.

Global Insights & Markets Update

Around the World – Consultation Considerations and Market Update

The Board discussed the IVS Exposure Draft Consultation process and the proposed IVS General Standard consultation revisions and also provided general market updates.

- *Africa – Molefi Kabuzie*
 - Afres (African Real Estate Society) was currently holding their annual conference in Africa and that it would be helpful to present IVS at future Afres conferences. T
 - New development bank had been set up to support members of BRICS (*Brazil, Russia, India China and South Africa*)
 - BRICS recently expanded to include Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates

- Africa was currently embracing ecommerce, which has led to increased trade in Africa and growth in mobile penetration (80% of ecommerce users on mobile phones).
- *North America – James Gavin, Brendan Gallagher, Kyle TenHuisen*
 - Some discussion in USA re use of the word valuation method within IVS 400 and IVS 410.
 - Some revisions need to IVS 104 Data and Inputs to provide extra clarity.
 - Significant change to IVS 500 Financial Instruments and this change needed to be articulated well in the bases of conclusions.
 - Requirements to physically inspect a property should not be a must as this is not always the case.
 - US market now more engaged re Basel III
 - Limited investment activity due to high interest rates.
 - Issue indifference between buyer and seller costs forcing valuers to make adjustments. Ongoing issue which will run through the course of the year.
 - Increased amount of regulation for financial reporting and looking for IVS to show how it links to IFRS and USGAAP.
- *Europe – Ludmila Simonova, Becky Gaughan*
 - LS advised that the main topic in Ukraine is war damages.
 - LS further advised that Ukraine was looking for support for rebuilding.
 - LS added that some money had been accumulated through seizure of Russian Assets.
 - LS further added that Ukraine was looking for Europe to provide compensation decisions.
 - LS also added that Ukraine needed compensation for home owners to rebuild replacement modern buildings.
 - LS also added that for Ukraine valuers it was helpful Valuation Process Quality Control has been changed to a should in the proposed revision to the IVS Exposure Draft.
 - BG advised that in the UK the general feeling was that the consistency of standards had improved.
 - BG added that in the UK transactional evidence was becoming thinner and thinner but there was an expectation that transactions would pick up in Q4.
 - BG further added that valuers were having to value more on sentiment and were having to look at recent transactions which did not cross the line to understand why they are not crossing the line and at what price these transactions would have been completed.

- BG further added that it would be helpful to issue an updated perspective paper on valuing at times of material uncertainty as this was still a market issue.
- *South America – Eduardo Rottman*
 - Brazilian valuation congress currently taking place with over 1,100 attendees.
 - Presenting an update to IVS to the congress with main themes for discussion.
 - Big issue in South America is the environment.
 - In Brazil oil is a big issue and there is a lot of government discussion in relation to this issue.
 - Additional environmental requirements within IVS 400 and IVS 410 would be helpful.
 - UPAV meeting in Paraguay later this year.
- *Middle East – Paakow Winful, Ron Cohen-Seban*
 - TAQEEM are supportive of the proposed iVS revisions.
 - Saudi Arabia is hosting UNESCO and having an environmental related conference looking at ESG.
 - Further detail on ESG within IVS Tangible Asset chapters would be helpful.
 - TAQEEM looking to incorporate revisions to IVS 500 within their standards.
 - RC advised that in Israel the market is similar to elsewhere and there is a need for more data re transactions.
 - RC further advised that rents are increasing, and people are trying to sublet some of their space.
 - RC added that rental rates have decreased by 10/20% and there are very few investment transactions taking place so there is limited comparable evidence for yields and valuers are also having to look toward sentiment.
 - Israel is currently undergoing judicial reforms and there is a lot of debate on these proposed reforms.
 - RC added that the proposed reforms are affecting the economy and the market, and the Tel Aviv stock exchange is performing less well due to the level of uncertainty (reduced from \$3.8 to \$3.5).
 - IREA is having a conference and panel on IVS in November.
 - Israel has their own Valuation Standards Board, which is a government general and though the current Valuer General is against

- *Asia/Oceania – CK Lau, Sandip Kumar Deb, Kim Hildebrandt*
 - KH advised that the proposed revisions to valuation review was an improvement.
 - KH further advised that the revised nomenclature for valuation process review and value review were helpful.
 - KH added that the two main topics for discussion in Australia were the use of AVMs and Inspection.

Next steps

Further to discussion it was agreed that valuing in times of material uncertainty should be included as an agenda item for the TAB physical meeting in Paris. The TAB was also encouraged to review the proposed revisions to the IVS Exposure Draft and to provide KH and AA with any comments in advance of the next SRB meeting on the 27th of September 2023.

Standard Setting

IVS General Standards Update (2023.09.07. Revised IVS General Standards with and without track changes)

The board was advised that the SRB was still in the process of reviewing the IVS Exposure Draft consultation comments post consultation and revising the IVS General Standards post consultation. The Board was further advised that the majority of respondents agreed with the proposed revisions to IVS and further to the comments received the SRB had made the following revisions within the revised IVS General Standards;

- Revisions to glossary to include definitions for Automated Valuation Models (AVMs), Data, Environmental Social and Governance (ESG), Inputs, Observable Data and Professional Scepticism.
- Some existing glossary definitions revised to provide additional clarity such as Professional Judgement, Valuation, Valuation Approach, Valuation Method and Value,
- Review of the use of “*must*” and “*should*” for consistency
- Change of nomenclature from “*Quality Control*” to “*Valuation Process Quality Control*” within IVS 100 Framework and change of requirements from “*must*” to “*should*” to provide some flexibility for member organisations, particularly sole proprietors, to meeting these requirements.

- Revisions to IVS 100 Framework section on Compliance to make it more user friendly and provide additional clarity.
- IVS 101 Scope of Work section on valuation review revised as requirements for Valuation process review and value review identical.
- Revisions to IVS 104 Data and Inputs to make relevant and observable data the overarching characteristic for this section and further revisions to provide additional clarity to.
- IVS 104 Data and Inputs related to Environmental, Social and Governance factors Appendix requirements revised from “must” to “should” as consideration of ESG requirements within valuation still at developmental stage in most markets.
- Revisions to IVS 105 Valuation Models to make appropriate the overarching requirement for valuation models and text further revised to provide additional clarity.
- IVS 106 Documentation and Reporting revised to provide additional clarity on record keeping requirements and valuation review requirements revised to refer to valuation conclusion review, value review or both.

Next steps

TAB to review the proposed revisions to the IVS Exposure Draft and to provide KH and AA with any comments in advance of the next SRB meeting on the 27th of September 2023.

IVS 300 Working Group Update (2023.09.07. IVS Exposure Draft Consultation Responses Spreadsheet)

The Board was advised that the IVSC TAB IVS 300 working group had been meeting on a weekly basis and had reviewed all the IVS 300 Exposure Draft consultation comments, The working group was now in the process of making some consequential amendments to reflect changes to the IVS General Standards and to provide additional guidance on matters such as the hierarchy of data, inspection, ESG and valuation reviews.

Next steps

The working group is to continue to meet on a weekly basis and will endeavour to finalise the proposed revisions to IVS 300 in advance of the IVSC AGM. The working group will also work in conjunction with the Technical Director to ensure that the proposed changes, where relevant, are also included in IVS 400 and IVS 410. Post of approval of the recommended changes by the TAB the revised IVS

300 will be sent to the SRB to ensure that the proposed revisions to IVS are in line with the proposed revisions to the IVS General Standards.

IVS 400 Working Group Update (2023.09.07. IVS Exposure Draft Consultation Responses Spreadsheet)

The Board was advised that the IVSC TAB IVS 400 working group had been meeting on a weekly basis and had reviewed all the IVS 400 Exposure Draft consultation comments, The working group was now in the process of making some consequential amendments to reflect changes to the IVS General Standards and to provide additional guidance on matters such as the hierarchy of data, inspection, ESG and valuation reviews.

Next steps

The working group is to continue to meet on a weekly basis and will endeavour to finalise the proposed revisions to IVS 400 in advance of the IVSC AGM. The working group will also work in conjunction with the Technical Director to ensure that the proposed changes, where relevant, are also included in IVS 300 and IVS 410. Post of approval of the recommended changes by the TAB the revised IVS 400 will be sent to the SRB to ensure that the proposed revisions to IVS are in line with the proposed revisions to the IVS General Standards.

IVS 410 Working Group Update (2023.08.04. IVS 410 Asset Standard Consultation Responses)

The Board was advised that the IVSC TAB IVS 410 working group had been meeting on a weekly basis and had reviewed all the IVS 410 Exposure Draft consultation comments, The working group was now in the process of making some consequential amendments to reflect changes to the IVS General Standards and to provide additional guidance on matters such as the hierarchy of data, inspection, ESG and valuation reviews.

Next steps

The working group is to continue to meet on a weekly basis and will endeavour to finalise the proposed revisions to IVS 410 in advance of the IVSC AGM. The working group will also work in conjunction with the Technical Director to ensure that the proposed changes, where relevant, are also included in IVS 300 and IVS 400. Post of approval of the recommended changes by the TAB the revised IVS

300 will be sent to the SRB to ensure that the proposed revisions to IVS are in line with the proposed revisions to the IVS General Standards.

Consultation Response Review Process

The Board was advised that the SRB was in the final stages of agreeing amendments to the IVS General Standards and would have a provisional vote at the IVSC SRB meeting in Paris to agree the changes made post consultation.

The Board was further advised that the final revisions would be shared with the Asset Boards post the Paris meeting for information purposes and for a fatal flaw review.

The Board was also advised that post the Paris meeting the IVS TAB Asset Standards would be sent to the SRB to review not from a technical perspective but to ensure that the proposed revisions aligned with the IVS General Standards,

In addition, the Board was advised that the proposed publication dates for IVS were as follows: -

- IVS to be published on 31 January 2024.
- IVS Red Line to be published on 31 January 2024.
- IVS Basis Of Conclusion to be published on 31 January.

Next steps

The Board are to finalise changes to the IVS Tangible Asset Chapters so these can be considered by the SRB. The SSRB will be having a public vote at their next meeting on the 29th November 2023 to approve publication of the next edition of IVS.

Updates and Administration

Prudential Value Update (2023.09.07. EMF Basel III Update)

The Board was advised that this topic was a standing item and at this point in time no further action was required.

The Board was also advised that a letter had been sent to the Basel Committee on Banking Supervisions and that the Technical Director and Wolfgang Kaelberer had met with the EU and neither engagement had elicited any further response.

The Board was further advised that an article was published in IVSC Enews to raise awareness amongst members and stakeholders.

In addition, the Board was advised that the TAB was still trying to engage at the appropriate level but until there was further information from the EU in relation to proposed interpretation of the definition and the proposed methodology there was nothing further to be done at this time.

Next steps

The Board is to keep a watching brief on this matter. The Technical Director is in discussion with the European Mortgage Federation (EMF) regarding a joint statement from all European Valuation Organisations and standard setters highlighting the issues that may be caused if Prudential Value is implemented in Europe without an agreed interpretation of the definition or valuation methodology.

Listed v Unlisted Update

The Board was advised that the working group was currently on sabbatical while the Standards Review Boards and Asset Boards focussed on finalising revisions to IVS prior to publication on 31 January 2023.

Next steps

The Listed vs unlisted working group will be reactivated in Q1 2024 post publication of IVS.

Commission for Europe Update

The Board was advised that the Council of Europe had acknowledged receipt of the letter from the IVSC TAB in relation to Valuation and Compensation.

Next steps

The TAB is awaiting a response from the Council of Europe in relation to their offer before proceeding further.

TAB and SRB Working Groups (Standing item only, see 2023.09.07. IVSC TAB Working Groups and 2023.09.07. IVSC SRB Working Groups)

The Board was advised that this was a standing item and that the Technical Director has sent an updated list of the TAB and SRB Working Groups for information purposes.

Next steps

None.

Key Topics for 2024 Agenda Consultation (Standing item only, see 023.08.03. Proposed Agenda Consultation Topics)

The Board was advised that this was a standing item and for information purposes the updated list of Agenda Consultation topics was as follows;

- Agricultural Land (TAB)
- AVMs and Artificial Intelligence (ChatGPT)
- Biological Assets (forests, plantations etc) (TAB)
- Block Chain
- Compulsory Purchase TAB)
- Crypto Currency
- Data and Data Handling
- Development Property (TAB)
- Discounted Cashflows (TAB)
- Expropriation/compensation
- Extractive Industries (TAB)
- Environmental, Social and Governance (ESG)
- Impairment of Assets
- Insolvency and Bankruptcy
- Insurance Valuations
- Private vs Public Markets
- Prudential Value
- Quality Control and Sole Proprietor (TAB)
- Reasonable Range
- Taxation (TAB)
- Trophy Assets
- Unregistered land
- Valuation in a volatile market (TAB)
- Valuation Risk

The Board was not asked to make any decisions.

Next steps

The Technical Director will provide the Board with an update on the Agenda Consultation during the TAB physical meeting at the IVSC AGM in Paris on the 10th and 11th October 2023.

Stakeholder Engagement

This is a standing item for TAB members to advise of any particular stakeholder engagement within their markets.

AOB

There was no other business.

Next steps

None.