

IVSC TAB Meeting Update September 2024

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 18 September 2024. The topics in order of discussion were:

Administration

- Administration. Welcome and Attendance - Kim Hildebrandt
(2024.09.16. IVSC TAB Conference Call Agenda Final PDF)
- IVSC TAB Meeting Update August 2024 - All
(IVSC TAB Meeting Update August 2024 Final)

Global Insights & Markets Update

Around the World – Markets Update 2024 – Inspection

(Survey Inspection of Tangible Assets as Part of the Valuation Process Sep 12, 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, Leo Lo
- Europe – Ludmila Simonova, Becky Gaughan, Charles Golding, Paloma Arnaiz
- Middle East – Paakow Winful, Ron Cohen-Seban

ECB Article

- ECB Article - Kim Hilderbrandt
(Commercial real estate valuations_ insights from on-site inspections)

ESG Perspectives Paper

- ESG Real & Asset Valuation Perspectives Paper - Alexander Aronsohn
(2024.09.11. IVSC - Perspectives Paper - ESG Real & Asset Valuation)

Prudential Value

- RICS Property Journal Article on Prudential Value
(How do we implement long-term prudent valuation models Journals RICS PDF)

Perspectives Papers Update

- Prudential Value Perspectives Paper Update - Kim Hilderbrandt/Alexander Aronsohn
- Listed vs Unlisted Perspectives Paper Update - Kim Hilderbrandt/Alexander Aronsohn

IVSC Hong Kong AGM

- IVSC Hong Kong AGM Agenda Discussion – All

Administration

- IVSC TAB Working Groups Update - Kim Hilderbrandt/Alexander Aronsohn
(2024.09.10. IVSC TAB Working Groups)
 - A. *TAB MV and Prudential Value Working Group*
 - B. *TAB ESG Working Group*
 - C. *TAB Inspection Working Group*
 - D. *AI Working Group*
- SRB Conference Call Update - Kim Hilderbrandt/Alexander Aronsohn
- Stakeholder Engagement/Outreach - All
- 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

Administration. Welcome and Attendance (2024.09.16. IVSC TAB Conference Call Agenda Final PDF)

KH welcomed the Board thanked them for attendance.

AA advised the Board that he would reach out to the non-attending Board members and would provide a meeting update.

Next steps

AA top reach out to non-attending Board member and provide a Board update.

IVSC TAB Meeting Update August 2024 (IVSC TAB Meeting Update August 2024 Final)

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 2024 – Inspection

KH advised that AA and KH had provided webinars to various jurisdictions on inspection.

KH further advised that in relation to the current IVS Agenda Consultation a number of comments had been received in relation to inspection.

KH asked the TAB to focus on this topic of inspection when providing their Market Update.

- *Africa*

- *Molefi Kubuzie*

- MK advised that he had no particular comment in relation to the Agenda consultation responses received so far on inspection.
 - MK further advised that the VPO inspection requirements tended to vary by jurisdiction.
 - MK also advised he had met with the President of the South African Council for the Property Valuers Profession and had discussed providing a response to the IVS Agenda Consultation.
 - MK added that the main focus of the South African Council for the Property Valuers Profession was preparing for hosting V20 next year.
 - MK further added that they had set up a team to support and kickstart this process.
 - MK also added that the AFRES conference was taking place next week in Zambia and that he would be able to provide more details post this meeting.

- *North America*

- *James Gavin*

- JG advised that he had nothing to report on either the Inspections perspective paper or the IVS Agenda Consultation.
 - JG further advised that he had noted that both of these documents had been prominently advertised on LinkedIn.
 - JG also advised that he had received no pushback or concerns in relation to either the IVSC Inspection perspectives paper or the IVS Agenda Consultation.
 - JG added that the IVSC Inspection perspectives paper had been well received and was consistent with the USPAP view.
 - JG further added that the American real estate market had been quite quiet recently and that there was bit of a July/august shutdown.
 - JG also added that the market was looking at a 0.25 base cut on federal fund legislation.
 - JG advised that there was a general expectation that interest rates would lower and the hope was that some movement in interest rates will provide further activity in the office and industrial markets.
 - JG further advised that there had also been some discussion about increased taxation for unrealised capital gains for investment properties but this had not been well received by the market.
 - JG also advised that with the forthcoming USA elections it was unlikely that investment activity would increase by much in the near future.

Brendan Gallagher,

- BRG advised that his comment was similar to JG as in Canada interest rates currently stood at 4.5%, but they were predicted to fall to 2.5% over the next year.
- BRG further advised that a number of clients were looking at potential mergers and acquisitions.
- BRG also advised that housing prices were decreasing, which is quite unusual.
- BRG added that the market was predicting interesting times over the course of the next year.

Kyle Ten Huizen

- KTH advised that his report was very similar to BRG and JG and the only real market movement was in the infrastructure and energy sector.
- KTH further advised that many investors were waiting for the UA elections in order to understand any interest rate or taxation implications

- *South America*

Eduardo Rottman

- ER advised that the Venezuelan market was still quite distressed whereas the Brazilian and Columbian market was more stable.
- ER further advised that in these markets the housing finance is stable and there is a lot of work for valuers.
- ER also advised that he went to Columbia and presented the IVS Update and there were more than 400 attendees.
- ER added that he provided a quick update of the main changes.
- ER further added that in South America there was a great interest in IVS, particularly in countries which had no other standards.
- ER also that UPAV intended to present the Spanish translation of IVS in November 2024.
- ER advised that UPAV were also working on a Portuguese translation of IVS and that Paloma Arnaiz and Leandro Escobar were assisting with the translations.
- ER further advised that the V20 conference was being held in Sao Paulo between the 30th September and the 1st October 2024.
- ER also advised that they had a number of good speakers and expected over 200 participants to attend in person.
- ER added that he would be attending the formal agenda consultation presentation over the next few days.

- *Asia/Oceania*

- CK Lau*

- CK advised that he had received no comments in relation to the Inspections perspective paper.
 - CK further advised that the situation in Hong Kong was similar to the USA as the market was expecting future interest rate cuts so as a result there were limited investment activities.
 - CK also advised that the banks were still quite conservative and as a result there was a lot of distressed sales.

- Sandip Kumar Deb*

- SKD advised that he was pleased that the next IVSC AGM would be held in New Delhi in October 2026.
 - SKD further advised that he was chair of the organising committee for the program and added that the IVSC New Delhi AGM would be followed by a two day international conference.
 - SKD also advised that the publication of the IVS Inspection paper had caused a lot of confusion as a number of valuers thought that the paper meant that inspection was no longer mandatory, and this caused concern for banks.
 - SKD added that AA and KH provided a presentation on inspection, which cleared up this confusion.
 - SKD further added that the market now understands that a perspective paper is not a standard but an aid to discuss issues.
 - SKD also added that he thought it would be helpful to include illustrative examples within perspectives papers.
 - SKD advised that there had been a number of discussions in relation to valuation fees and the use of AVMs as an alternative to valuers.
 - SKD further advised that the majority of Indian valuers worked in residential valuation only but now banks were accepting the use of AVMs for residential valuations.
 - SKD also advised that as a result this could reduce the number of individual valuers from 30,000 to 3,000.
 - SKD added that Indian valuers were looking to change the state so AVMs could not be sued for residential valuations without the valuer's professional judgement.
 - SKD advised that the government had recently changed in Bangladesh and both the ruling party and prime minister had changed.
 - SKD further advised that prior to this political change the ruling party had planned to make a panel of approved valuers but now this work had stalled and there was uncertainty as to whether this plan would continue.

- SKD also advised that in Bangladesh had tried to institute a number of changes to increase transparency and regulation within the market so the market should improve.
- SKD added that in Nepal there had been strong growth particularly in the residential market where there was an increase in demand for affordable housing.

Kim Hildebrandt

- KH advised that he attended the API National Plant, Equipment and Infrastructure Conference.
- KH further advised that the main topics were ESG and the use of Artificial Intelligence.
- KH also advised that a number of the IVS Agenda Consultation topics were interconnected (e.g. Valuation Risk, AVM, Artificial Intelligence and Inspection)
- KH added that he received a number of comments on the Agenda Consultation and tried to nudge people to respond.

- *Europe*

Ludmila Simonova

- LS advised that the Ukrainian Market is very influenced by Eastern Europe.
- LS further advised that though rental prices are increasing there are almost no sales.
- LS also advised that most investors are waiting for the political situation to stabilise prior to making any investments.
- LS added that in relation to the Inspection perspective paper some respondents had advised that partial inspection should be a separate classification as some valuers may require the help of other specialists for a detailed inspection.
- LS further added that she was focussed on getting responses to the Agenda Consultation particularly in relation to future topics that should be considered by the TAB.
- LS asked when the inspection classification would be incorporated into IVS.
- KH advised that this would be decided by the TAB over the next 6 to 9 months.
- KH further advised that the IVS Agenda Consultation responses would be discussed in detail in Hong Kong.

Charles Golding

- CG advised that he had received a lot of feedback of inspection requirements while developing the RICS Global Red Book.

- CG further advised that most of the comments reflected increasing competition from AVMs and model operators.
- CG also advised that many respondents felt that mandatory physical inspection requirements for tangible assets within the Global Red Book would reduce this competition.
- CG added that the RICS position was similar to the IVSC and inspection should meet the requirement of the task.
- CG further added that within the UK there was a polarisation between the primary and secondary market.
- CG also added that there had been discussions on how Market Value reflects the principal of Highest and Best Use, alternative uses and hope value .
- CG advised that in respect of this the RICS had recently published a guide for clients and valuers on Valuations for real estate investment entities.
- CG further advised that the news that IVS would be freely available for all valuation stakeholders had been well received in the market.

Becky Gaughan

- BG advised that she spent a lot of time explaining to clients about value and risk and in relation to this she appreciated the support she received from standards.
- BG further advised that the sentiment in Europe was that interest rates had now stabilised.
- BG also advised that there had recently been a lot of mergers and acquisitions amongst real estate funds.
- BG added that in respect of mergers and acquisitions she had done a lot of work on financial reporting and disclosure requirements and was in the process of reviewing the stock exchange requirements.
- BG further added that in most European market's things seemed to be moving again but the only exception was Germany and one or two other markets.

- *Middle East*

Paakow Winful

- PW advised that the TAQEEM had not yet sent a response to the IVS Agenda Consultation and were in the process of preparing a response.
- PW further advised that the IVS Agenda Consultation had also been sent to individual valuers to encourage more responses.
- PW also advised that TAQEEM would be translating the IVS Inspection perspectives paper into Arabic in order to encourage responses to the consultation questions contained within.

Ron Cohen-Seban

- RC advised that he tried to get the Israeli Real Estate Appraisers Association interested in a presentation on the IVSC perspectives paper and though they responded positively they never came back.
- RC further advised that with respect to his market inflation was quite high at 3.5%, largely due to supply side issues caused by the current hostilities.
- RC also advised that house prices continued to increase by 6% year on year.
- RC added that there was currently a shortage of construction workers within Israel that had also added to the increase in residential prices as the majority of construction workers were now serving in the reserves.
- RC advised that the Ministry of Justice was in the process of updating their betterment taxation.
- RC further advised that betterment taxation related to 50% of the uplift in value through change of planning permission.
- RC also advised that many people were against the betterment taxation as it was complex and only occasionally applied.
- RC informed that the council of land valuers has announced that it is reconstituting the valuation standards board and as part of this process the reconstituted valuation standards board will begin a review of all land valuation standards within Israel.
- RC further informed that he would try and set up a call with Nehama Bogin to discuss the provision of IVSC presentations and other matters.
- KH commented that betterment taxation sounded similar to the windfall gains tax in Victoria.

ECB Article

ECB Article (Commercial real estate valuations insights from on-site inspections)

The Board was informed that the ECB article contained a number of minor inaccuracies in relation to Highest and Best Use and it appeared that they were probably thinking of Investment Value when referring to HBU.

The Board was further advised that there was also some minor inaccuracies in relation to the difference between Market Value and Fair Value.

The Board felt that there was no need to provide further feedback to the EBA at this point in time as on the whole it was a good paper with several references to IVS.

Next steps

None.

ESG Perspectives Paper

ESG Real & Asset Valuation Perspectives Paper (2024.09.11. IVSC - Perspectives Paper - ESG Real & Asset Valuation)

The Board was advised that the ESG perspectives paper have been reviewed by the Standards Review Board and was due to be published later this month.

PA asked whether the perspectives paper would be available in Spanish and was advised that IVS would be happy for the perspective paper to be translated in Spanish.

The Board suggested that the preamble to the perspective paper should be revised slightly to mention the definition of Real Assets and provide better alignment with IVS.

The Board was asked to provide final comments or revisions by Tuesday 24th September.

Next steps

The Board to provide any comments or revisions by Tuesday 24th September.

Prudential Value

RICS Property Journal Article on Prudential Value (How do we implement long-term prudent valuation models Journals RICS PDF)

The Board was advised that CG had sent the following email in relation to Prudential Value and the BoE:

“Apologies for the short notice, but in terms of the agenda items covering prudent value I thought it might be useful to summarise the recent Bank of England/Prudential

Regulation Authority announcement on the subject. This only refers to the UK and Basel is a global framework.

The report quoted can be found here:

[PS9/24 – Implementation of the Basel 3.1 standards near-final part 2 | Bank of England.](#)

Two very narrow excerpts that summarise some of the main points are as follows:

Prudent valuation criteria

2.231 The PRA agrees with respondents that the proposed requirement to adjust a valuation to reflect the value of the property that would be sustainable over the life of the loan could be complex for firms to operationalise and may lead to inconsistent approaches. Having considered the responses, the PRA has amended its draft rules to remove this requirement.

There is also some interesting commentary on AVMs:

Use of automated valuation models

2.232 In response to comments related to the use of automated valuation models (AVMs), the PRA clarifies that it did not intend to propose that only physical valuations by a qualified surveyor would be permitted and has amended the draft rules to state that firms can use robust statistical valuation methods. This may include the use of AVMs or indices, where it is prudent to do so

There is some nuance in the wider text and RICS will be producing a fuller statement in response over the next few weeks. There remains some uncertainty around Europe where some have suggested more of an appetite for the Basel prudent value provisions."

The Board was advised that in March 2023 the IVSC had put in a submission to the BoE PRA regarding concerns with the definition.

The Board was further advised that this topic had been on the TAB Agenda for some time.

The Board was also advised that the primary concern of the TAB was in relation to the value sustainable over the period of the loan term as this seems to require valuers to forecast for the future.

The PRA advised that they were removing the wording around the loan term.

The Board discussed how to deal with this situation and noted that though many stakeholders in the UK were happy that this requirement had been removed there seemed to be more appetite in Europe to keep Prudential Value.

The Board was advised that there was still further clarity required in relation to the statement and that there should be further details over the course of the next few weeks.

CK asked whether we should talk to someone in authority.

AA advised that he would set up a call with KH and Ragveer Brar of the BoE to discuss the situation further.

The Board felt that it would be helpful to have some time to read the document in detail and understand the implications before reengaging with the PRA.

KH advised that from his perspective, the concept of 'market value' now broadly fulfils the PRA requirements set out in 124D and particularly section 8 being:

"8. For the purpose of determining the value of the property or the underlying land value under paragraphs 3 to 7, 9 and 10, an institution shall only use a valuation that:

(a) is provided by a suitably robust statistical method or by an independent valuer who possesses the necessary qualifications, ability and experience to execute a valuation.

(b) excludes expectations on price increases.

(c) where a market value can be determined, is not higher than the market value; and

(d) where the mortgage loan is financing the purchase of the property, is not higher than the effective purchase price."

CG advised that further clarification was required in relation to a) and c) above and added that at the moment this statement was open to multiple interpretations.

KH advised that this topic would be further discussed at the chairs call later that day.

The Board was asked to review the amendments so next steps could be agreed.

The Board discussed whether it was worthwhile opening discussions with other regulators to discuss concerns in relation to the practical implementation of Basel 3 and to point out that the PRA had changed their policy.

RC raised concerns over the recent RICS Briefing Paper on *"the implementation of long-term prudent valuation models across the UK and Mainland Europe for financial regulation purposes"*, which referred to the IVSC collaborating with both the EMF and RICS on this issue.

KH advised that IVSC had at times been misquoted by organisations trying to align to the IVSC brand and was dealing with this issue as an overarching governance matter.

Next steps

AA to set up a call with KH and Ragveer Brar of the BoE to further discuss the meaning of the statement issued by the BoE re Prudential Value.

Perspectives Papers Update

Prudential Value Perspectives Paper Update

The Board was advised that this perspectives paper was still on hold while the Board considered the current developments in relation to Prudential Value.

Next steps

None.

Listed vs Unlisted Perspectives Paper Update

The Board was advised that this was a sensitive topic which crossed into business valuation and financial instruments valuation and the SRB had discussed whether this paper should go beyond real estate and include private equity etc.

The Board was advised that this perspective paper would be further discussed at the chairs call so next steps could be agreed.

Next steps

KH to provide update at next TAB conference call.

IVSC Hong Kong AGM

IVSC Hong Kong AGM Agenda Discussion

The Board was advised that the Agenda had not yet been prepared for the IVSC Hong Kong AGM.

The Board was advised that there had been preliminary discussions with the BV over holder joint sessions on key topics such as Artificial Intelligence and Valuation Risk on the afternoon of Wednesday 20th November 2024.

The Board was further advised that the first half of the meeting on Tuesday 19th November 2024 would be spent discussing the IVS Agenda Consultation responses.

The Board was further advised that the second half of the meeting would be discussing proposed revisions to IVS 300, 400 and 410.

RC asked whether there would be any external speakers and suggested Professor Zvi Wiener as a speaker at the IVSC AGM in Hong Kong or at Board Meetings the next year.

The Board was advised that it would be unlikely that there would be any external speakers as the AGM tended to be quite busy and there would also be a number of updates provided to the Advisory Forum Working Group and Trustees.

The Board was further advised that HKIS would also be holding a conference that would be connected to the AGM and there would be number of speakers at this conference.

The Board was also advised that there would probably be external speakers at the 2025 meetings in Toronto and Prague though it was to be decided whether the TAB would be attending both these meetings.

MK asked whether there would be further discussions about the use of the term Real Assets instead of Tangible Assets.

KH advised that no conclusion had been reached on this topic and added that it would be a good topic to discuss at the Hong Kong AGM.

KH further advised that the TAB may not get a say in this as this was more a decision for the Board of Trustees.

The Board asked if further details could be sent regarding the AGM such as hotels, meeting locations etc.

AA advised that this was not in his remit but Louise would send an email over the next week with the IVSC Hong Kong AGM details.

Next steps

RC to send further details about Professor Zvi Wiener.

Administration

IVSC TAB Working Groups Update (2024.09.10. IVSC TAB Working Groups)

A. TAB MV and Prudential Value Working Group

The Board was advised that the drafting of the perspectives paper had been put on hold while the working group considered the recent statements issued by the Prudential Regulatory Authority.

B. TAB ESG Working Group

The Board was advised that this topic had already been discussed and the perspective paper on ESG and Real Asset Valuation was due to be published in the September Enews.

C. TAB Inspection Working Group

The Board was advised that the working group was considering the responses received in relation to the perspectives paper.

D. AI Working Group

The Board was advised that the working group was currently on sabbatical while the working group was awaiting responses from the IVS Agenda Consultation.

SRB Conference Call Update

The Board was advised that KH, PW and AA had been involved in stakeholder outreach, which include recent or planned presentations on IVS and Inspections to:

- Asia Development Bank (ADB)
- Australian Taxation Office (IVS)
- European Covered Bond Council (ECBC)
- European Mortgage Federation (EMF)
- International Federation of Surveyors (FIG)
- Ghana Institution of Surveyors (IVS)
- Standards Board for Alternative Investments (SBAI)
- TAQEEM (Inspections)

AOB

SKD asked when the IVS Agenda Consultation closed and was advised that the Agenda Consultation closed on the 9th October 2024.

SKD advised that AaRVF had been preparing training for all the banks in India regarding how to go through an IVS valuation report and how to understand whether the valuation report is IVS compliant or not.

SKD further advised that the training would be provided to over 200 bankers and as part of this process the would be translating the requirements within IVS 104 Data and Inputs and IVS 105 Valuation Models.

There was no other business, so KH ended the meeting.

Next steps

None.