

IVSC TAB Meeting Update February 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 in person in New York (and remotely) on 26 – 28 February 2024. The topics in order of discussion were:

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- Artificial Intelligence/Blockchain/Real Asset Tokenisation – Medium/Long Term
(IVSC SRB Topic Form on Artificial Intelligence/Blockchain/Real Asset Tokenisation to follow)
- TAB Agenda Consultation Finalisation: Next Steps, Roles & Responsibilities
(2024.02.20. TAB Proposed Agenda Consultation Topics)

Key Topics

- Prudential Value
(Prudential Value Briefing Paper, 2024.01.19. Consultation paper on amendments to the RTS on Prudent Valuation (EBA-CP-2024-001), 2024.01.05. What Basel 3.1 will mean for real-estate sector | Journals | RICS ,2023.10.30. Final Sectoral Paper on Operationalising the Property Value - October 2023, Article from TEGoVA in relation to Prudential Value and Article from TEGoVA in relation to Prudential Value)
 - *RICS paper: "What Basel 3.1 will mean for real-estate sector" published 5 January 2024*
 - *BCBS letter: "Baseline" to build upon for perspectives paper*
 - *What else do we need to cover?*
 - *Do we need to change direction on any items?*
 - *Perspectives Paper: Next Steps, Roles & Responsibilities*
 - *Working Group Timeline*
- ESG
(ESG and Real Estate Valuation, 2024.02.21. ESG and Plant Equipment and Infrastructure Valuation Perspective Paper Brief and WBEF ESG and valuation 2023 - data list FINAL)
 - *IVSC Perspectives Paper: ESG and Real Estate Valuation*
 - *IVS 2025: What did we get right, how could it be better in IVS 2028?*
 - *Plant, Equipment and Infrastructure Perspective*
 - *Perspectives Paper: Next Steps, Roles & Responsibilities*
 - *Working Group Timeline*
- Inspection
 - *Aligning IVS Goals: Building confidence and public trust in valuation by producing transparent and consistent standards. International, principle-based valuation standards that are intended to sit above jurisdictional, asset class or valuation purpose considerations.*
 - *Current IVS setting: Transparency but not mandatory, Scope of Work, Investigations & Compliance, Limitations & IVS Compliance*
 - *The use of "Professional Judgement", see IVS 400 section 40.3 and 40.07, for example.*
 - *Current jurisdictional settings (Australia, UK, North America, Brazil, Israel)*
 - *USPAP: Defining "Personal Inspection", see Advisory Opinion 2*
 - *Asset class perspectives and limitations (120k residential properties, transmission line, multinational offshore oil rig portfolio, global hire car business, portfolio of outback cattle stations, portfolio of jet engines, inspection of healthcare facilities).*
 - *Valuation purposes and limitations (litigation and dispute, quarterly portfolio valuations, hostile M&A, retrospective valuations where the fact pattern has changed materially, ad-valorem taxation)*
 - *How do other valuation professions go about it (ie. business valuations)*

- *Prospect of an inspection hierarchy (desktop, sample inspection, kerbside, detailed, rigorous ... what does each level actually provide)*
- *Prospect of a two-tiered valuation hierarchy (ie. limited or restricted assessment versus valuation)*
- *Perspective Paper: Next Steps, Roles & Responsibilities*
- *Working Group Timeline*

Public Meeting

- IVSC TAB Public Meeting - Valuations & Site Inspection

Standard Setting

- IVS (Effective 31 January 2025) Update and Presentations
(2024.02.05. IVS Update Webinar - Feb 2024 and 2024.02.05. IVS Exposure Draft Presentation Script)
- Future Additions and Revisions to IVS Tangible Assets Standards
(land, personal property etc)

Discussion

- USPAP and Harmonisation of Standards
(Lisa Demarais (Vice President, Appraisal Issues) & Michelle Czekalski Bradley (Chair of the ASB))

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 (2024.02.21. Final TAB New York Agenda February 2024)

The Board reviewed

IVSC TAB Meeting Update August 2023 (IVSC TAB Meeting Update September 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 Board.

Next steps

No action required.

IVSC Publications Update (23.10.05. IVSC Publication Schedule)

The Board 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.

IVSC CEO Update

NT thanked the Board for all their hard work in finalising IVS (effective 31 January 2025) and in contacting stakeholders to participate in the consultation process.

NT advised the Board that he had received positive comments on the changes to IVS and was now focussed on contacting stakeholders to participate in the forthcoming Agenda Consultation.

NT further advised that he had continued to meet with IOSCO and present to the wider stakeholder community.

NT added that the IVSC processes were currently under IOSCO review and IOSCO was in the process of comparing the IVSC processes to the IASB and IAASB processes.

NT noted that IVSC did not have the same resources as these other organisations and were still in developmental stage.

NT advised that IVSC processes were similar to these organisations but unlike IASB and the IAASB the IVSC did not have a Monitoring Board or Interpretations Committee, but hopefully this was something that could be set up in future.

NT further advised that once IOSCO had finished reviewing the IVSC processes IOSCO would begin reviewing technical matters and he may call in Board members as technical experts to assist in this review.

NT further added that further to IOSCO review he hoped that VSC would be seen as a credible partner for IOSCO and that IVS would establish a long-term relationship with IOSCO.

NT advised that the IVSC continued to have a lot of engagement with the Investors Forum and that the Investors Forum now included organisations such as Goldman Sachs, JP Morgan and HSBC.

NT further advised that the IVSC continued to engage with the IASB who are currently looking at intangibles as a key project.

NT also advised that the Business Valuation Board were engaging with the IASB on this issue.

NT added that further to the unfortunate death of the IVSC Chair Alistair Darling last year the IVSC was continuing to look for a new chair and are looking for former ministers, or regulators or someone who was CEO for a high-profile organisation.

NT asked the Board to advise him of any suitable potential candidates for chair of the IVSC.

NT advised that Lim Hwee Hua will continue to act as chair and there was no time pressure on finding a new chair as it was important to find the correct candidate.

NT further advised that in addition to the opening of the IVSC office in Singapore the IVSC is looking to open an office in the Middle East over the course of next year.

NT also advised that the IVSC was in final discussion with the Government and regional sponsors in relation to the opening of the office for the MENA region.

NT added that the MENA office would support the activities of the IVSC Boards and would ensure better linkage and cultural capacity for members and stakeholders in MENAS.

NT advised that the current priority developing markets for the IVSC were as follows:

- Africa
- Latin America
- Middle East

NT further advised that the IVSC was also considering opening offices within these regions.

NT also advised that the IVSC continued to attract new members with the most recent addition being the Asia Development Bank.

The Board also raised the topic of IVS (effective 31 January 2025) and whether IVS should be made freely available.

NT advised that originally IVS was not freely available to members and stakeholders and IVSC changed their policy, so the standards are now freely available to members and sponsors.

NT further advised that IVSC was still reviewing this issue as there was an element of revenue receivable from the sale of IVS (effective 31 January 2025).

NT also advised that he was happy for Board members to send a copy of IVS (effective 31 January 2025) as part of stakeholder engagement.

Next steps

The Board to advise NT of any potential candidates to chair the IVSC. *(Former ministers, or regulators or someone who was CEO for a high-profile organisation.)*

Global Insights & Markets Update

Around the World – Consultation Considerations and Market Update

(How has IVS 2025 been received in your jurisdiction? And Re IVS revision process, what worked well, how could we do it better next time?)

Africa – Molefi Kubuzie

AA advised that unfortunately MK had been unable to join this call, but he understood that IVS (effective 31 January 2025) had been well received in Africa.

AA further advised that IVS (effective 31 January 2025) would also be presented at the Africa Valuation Conference in April 2024.

North America – James Gavin, Brendan Gallagher, Kyle TenHuisen

JG advised that there had been a lot of positive responses in relation to the changes in IVS.

JG further advised that USPAP 2024 made references to IVS and had recommended IVS for dealing with international clients.

JG also advised that he was happy with the IVS revisions process and had no further changes to suggest.

KT advised that prior to joining the Board he had limited awareness of IVS.

KT further advised that in his firm there was a greater awareness and confidence in IVS post publication of the latest version of the standards, which had been well received by his firm.

KT also advised that he felt the IVS revisions process was transparent and easy to follow.

AA advised that in future the IVSC will try and ensure that no new members are added to the IVSC Technical Boards when the Boards are in the middle of a standard setting project.

South America – Eduardo Rottman

ER advised that the latest edition of IVS had been well received in Central and Latin America.

ER further advised that UPAV are in the process of translating IVS (effective 31 January 2025) into Spanish and Portuguese.

ER added that IVS was the main standard in South America as in many markets there were no established national valuation standards.

ER advised that the Pan American Union of Valuation Associations (UPAV) had set up IVS education and training courses in Central and Latin America.

ER further advised that in Mexico the government is trying to adopt IVS as the Mexican standard.

ER also advised that UPAV are currently focussing on hosting V20 in Rio de Janeiro between 20th of September and the 2nd of October 2024 and are currently putting an agenda together.

ER added that he also found that the IVS revisions process was transparent and easy to follow.

Asia/Oceania – CK Lau, Sandip Kumar Deb, Kim Hildebrandt

KH advised that IVS (effective 31 January) had been well received in Australia.

KH further advised that there was still an issue in relation to physical inspection for real estate property as API had mandated physical inspections for real estate assets.

KH further added that the Board would be issuing a perspective paper on this issue over the next few months to clarify the IVS position in relation to inspections.

Europe – Ludmila Simonova, Becky Gaughan

LS advised that IVS (effective 31 January 2024) had been well received in the market.

LS advised that there was a translation challenge for IVS (effective 31 January 2025) as in several European countries the word "*reporting*" was used exclusively for "*financial reporting*".

LS advised that she was happy with the IVS revisions process.

Middle East – Paakow Winful, Ron Cohen-Seban

PW advised that from his perspective he was happy with the revisions process, but it was challenging to join the Board midway through the proposed revisions.

PW further advised that IVS (effective 31 January 2025) had been well received in Saudi Arabia and the Middle East.

PW also advised that AA and PW will be presenting IVS (effective 31 January) to TAQEEM on Wednesday 14th of March.

PW added that TAQEEM was in the process of preparing an Arabic translation of IVS.

PW further added that TAQEEM will be providing a further presentation on IVS in November, once the IVS is fully translated and will expect a greater number of Arabic speakers to attend the November presentations.

PW advised that TAQEEM is in the process of updating its manuals to ensure alignment with IVS.

PW added that TAQEEM was thankful that the IVS effective date had been extended until the 31st of January 2025 as this gave them time to translate IVS and amend their standards.

RC advised that IVS was presented to the Supreme Council in Israel and have cited a few paragraphs of IVS.

Next steps

None.

Agenda Consultation

Agricultural and Plantation Land/Biological Assets (forests, plantations etc)
– Medium Term (IVSC SRB Topic Form to be provided post agenda item discussion)

Unfortunately, SKD was unable to present this topic due to connection difficulties.

Next steps

SKD will submit a topic form in advance of the next Board conference call and will present this topic during the next Board conference call.

Compulsory Purchase/ Expropriation/compensation/Unregistered land – Medium Term (IVSC SRB Topic Form to be provided post agenda item discussion)

Unfortunately, SKD was unable to present this topic due to connection difficulties.

Next steps

SKD will submit a topic form in advance of the next Board conference call and will present this topic during the next Board conference call.

Insurance Valuations – Medium/Long Term (IVSC SRB Topic Form Insurance Valuations)

The Board discussed whether Insurance Valuations should be part of the IVS TAB Agenda Consultation.

The Board reviewed the IVS Topic form and was advised that the problem statement was as follows:

“The IVS, as it currently stands, does not explicitly address insurance valuations (aka, insurable value, or reinstatement cost assessments). Given as trillions of pounds (or dollars) worth of assets globally are risk assessed and insured based on the value of property, principle-based market guidance is necessary. The IVSC can take a lead on this by providing internationally recognised guidance and possibly establishing additional defined bases of value.

The current terminology is confusing, with some segments of the global market not recognising the ‘cost assessment’ required to properly estimate the replacement cost of the assets as a ‘valuation’. This is typified by the UK market’s – the key global insurance / reinsurance market’s – confusing position on what to call it. And the ongoing debate in the UK and other markets on whether it is the purview of cost consultants, building surveyors, valuers, or all three, plus other, stakeholders.”

The Board was further advised that the problem existed:

"... in most jurisdictions / geographies – including the UK, a leading insurance hub. Additional research will have to be carried out to determine the full extent of the problem. The problem is currently heightened due to the “hard” property insurance markets and historic under reporting of accurate values.”

The Board noted that there was no explicit guidance provided by IVS or VPO's in relation to insurance valuations, which are also known as Estimated Reinstatement Cost.

The Board agreed that this was an area where further guidance was required and noted that in RICS guidance issued in 2018 it stated that an insurance valuation was not a valuation.

The Board noted that construction costs for an insurance valuation were normally provided by building surveyors or quantity surveyors.

The Board also noted that despite the non-valuation status of insurance valuations in some jurisdictions, they were within Banks and funds books and were globally underwritten.

The Board was advised that PAV was currently working on Guidance for insurance valuations and this work was being led by Leandro Escobar.

The Board discussed issuing a perspective paper on Insurance valuations within the medium term (i.e. 6-12 months).

The Board noted that there may be strong opinions from the insurance industry on this paper.

The Board briefly discussed the following issues to be included in the perspective paper:

- Scope of work,
- Asset Type (e.g. *real estate or plant and equipment*),
- Exclusions and inclusions,
- Heritage and non-heritage assets,
- Loss in revenue and leasing allowance,
- Statement of works (e.g. *this is what I have done or not done*),
- Use of automation,
- Estimation of Costs (e.g. *use of a building surveyor or BCIS*)

The Board agreed that the aim of the perspectives paper on insurance valuation should be to raise awareness, highlight the issues and encourage a consistent approach.

The Board noted that though Insurance valuations were not classed as valuations they were largely undertaken by valuers.

The Board further noted that the requirements for Insurance valuations were largely dictated by the market and that there was public trust element.

Next steps

AA to contact Leandro Escobar for further details on the UPAV guidance for Insurance Valuations.

THE BOARD to draft a brief for a perspective paper on Insurance Valuations.

Private vs Public Markets – Short/Medium Term (IVSC SRB Topic Form Listed vs Unlisted)

The Board discussed whether Public and Private should be part of the IVS TAB Agenda Consultation.

The Board reviewed the IVS Topic form and was advised that the problem statement was as follows:

- *Listed entities (REITs, real estate or infrastructure): that provide independent asset values for each of their assets as part of their governance processes. Currently seeing a material divergence between the listed price and NAV (circa 20-60% discount in listed prices depending upon the asset class and jurisdiction).*
- *Unlisted funds: that rely on valuations to set unit prices. These are either i) not being marked-to-market frequently enough with assets in their portfolio, ii) or even when they are marked-to-market frequently, they are not displaying the same levels of discounts to that listed markets are displaying (for the largely same underlying asset class/investment).*
- *Auditors of financial statements: Where we are witnessing this divergence in listed and unlisted markets, what are auditors to make of underlying balance sheet asset value for these entities?*
- *Transparency of valuations: Underlying each of the above, there is a yearning for investors for asset managers to provide a greater level of transparency in relation to valuations performed for the assets that they are invested in. How do regulators, assets managers and the valuation profession manage such a market*

demand, balancing the liability consideration that valuation firm might expose themselves to?

- Attracting significant media attention in European, North America and Australia where listed products are quite mature and there is a high level of transparency required from a regulatory perspective with listed markets.*
- Trust in valuation: seeing the disparity between listed prices and NAV's is often resulting in the credibility of the valuation profession to being called into question.*
- This is combined with a heightened sense of scepticism in certain markets because of the liquidity mismatch with certain 'real estate' products, which isn't necessary a valuation issue, but erodes trust and confidence in products associated with the 'private' or 'unlisted' asset class amongst some individuals/sectors of the market. For example, Blackstone, Starwood Capital and KKR real estate liquidity/redemption issues.*

The Board was further advised that:

"The problem exists across all markets and relates to all asset classes and further details are shown below:

- The divergence in asset value in listed and unlisted environments is not new, but the delta is exacerbated during volatile real estate markets that we are witnessing at present.*
- This recent volatility has been particularly present in the office real estate segment that has witnessed dual headwinds in a steeply rising cost of capital and increasing vacancy rates following the COVID-19 pandemic.*
- With unlisted real estate valuation outcomes not mirroring the steep price reductions in the listed market in recent months, a string of negative media articles has inferred that valuation professionals are not reacting appropriately to changes in market dynamics.*
- With this negative media attention, further discussion and debate is required in relation to the topic to ensure i) that the issues are being appropriately understood and ii) to ensure that valuation professionals are appropriately servicing this market.*
- Whilst we believe that market commentators are right to query this divergence, we feel that despite being underpinned by the same asset class, the valuation of assets in a listed versus unlisted environment may well result in very different outcomes because of the differing underlying fact pattern associated with each.*
- This focusses around liquidity that is afforded to listed markets, giving it the ability to react very quickly (within milliseconds). The psychology of this market is on full display during volatile times. Both of these elements work against 'value' in a listed environment in a volatile (downside) market.*

- *Conversely, the unlisted real estate investor (because of the features of buying and selling in this market) take a much longer view of this asset class which often strips out the (psychological) features that are on display in the listed market. These transactions are allocating much larger portions of capital, take a longer view on cash flow an return, have a much longer timeframe to process purchase and divestment decisions, accept illiquidity as a feature of the investment, and importantly often transact with control in mind.*
- *With the acknowledgement of these differential features in listed v unlisted markets (be it real estate or infrastructure), the divergence in value becomes more understandable during volatile times.*
- *'... listed markets are at times subject to a whole lot of emotion ...sometimes listed markets will lead and sometimes they will lag and sometimes they will act less rationally...' (Australian Financial Review, 'Private markets valuation test awaits super funds', 8 November 2022 – <https://www.afr.com/markets/equity-markets/private-markets-valuation-test-awaits-super-funds-20221108-p5bwhp>).*

AA advised that this topic was being dealt with by a joint working group comprising SRB and Technical Board (*Business Valuation Board, Financial Instruments Board and Tangible Assets Board*) members.

AA further advised that the IVSC SRB Listed vs Unlisted working group was being chaired by Ian Jedlin.

KH advised that in previous discussions with the BVB some members of the BVB strongly felt that the market capitalisation of any shares listed on the stock market represented Market Value.

KH added that from a TAB perspective there could be a difference between Price and Value.

KH also added that the BVB felt that part of the difference was due to the fact the many of the comparables used for Market Value were historic and so other indicators should be used.

Next steps

AA and KH to discuss the Private and Public Markets with the SRB and to report back to the TAB in the next TAB conference call.

Prudential Value – Short Term (Prudential Value Briefing Paper and IVSC SRB Topic Form Prudential Value)

KH advised that the Prudential Value Topic Form had already been approved by the SRB but the drafting of the perspective paper had been delayed by publication of IVS (effective 31 January 2025).

The Board was advised that the problem statement was as follows:

“The members of the Basel Committee on Banking Supervision (BCBS) are due to implement the requirements of Basel III, which include Prudential Value for immovable property in January 2025.

The BCBS have defined Prudential Value as:

“Value of the property: the valuation must be appraised independently using prudently conservative valuation criteria. To ensure that the value of the property is appraised in a prudently conservative manner, the valuation must exclude expectations of price increases and must be adjusted to take into account the potential for the current market price to be significantly above the value that would be sustainable over the life of the loan. National supervisors should provide guidance, setting out prudent valuation criteria where such guidance does not already exist under national law. If a market value can be determined, the valuation should not be higher than the market value...”

The IVSC TAB is concerned that if the current definition of Prudential Value is adopted without further clarification and guidance for real estate valuation, it could have serious unintended consequences in the wider field of real estate valuation across all markets. Most importantly, there is currently no agreed interpretation of the definition within real estate valuation, or an agreed approach to determine a Prudential Value outcome within real estate valuation, and secondly availability of data to implement a Prudential Value regime may vary significantly across many of these markets. These deficiencies will likely lead to a lack of transparency and consistency in real estate valuation practice with widely divergent outcomes, and resultantly increase financial instability.”

The Board was further advised that the problem *“relates the valuation of all immoveable property (i.e. tangible assets) in the 25 jurisdictions that are members of the Basel committee.”*

The Board noted that Prudential Value was included as a separate key topic within the agenda so agreed to discuss this topic in detail later.

Next steps

The Board is to discuss Prudential Value in detail as a subsequent agenda item.

Quality Control and the Individual Valuer – Medium Term (IVSC SRB Topic Form Quality Control and Individual Valuer)

The Board discussed whether Quality Control and the Individual Valuer should be part of the IVS TAB Agenda Consultation.

The Board reviewed the IVS Topic form and was advised that the problem statement was as follows:

“IVS (effective 31 January 2025) states within IVS 100 Framework Section 20 Valuation Process Quality Control that:

20.07 If the valuer is able to address valuation risk they may then perform monitoring procedures with respect to their own compliance and control policies and procedures.

In relation to this requirement the IVSC received a number of Exposure Draft consultation responses which either questioned how it was possible for a valuer to review and challenge their own work without bias.

The TAB reviewed these comments and noted that there was a need for a Perspective Paper on Quality Control and the Individual Valuer in order to highlight the means by which a sole practitioner can quality control their own valuations and address valuation risk.”

The Board was further advised that:

“This issue relates to all jurisdictions as a large proportion of members of Valuation Professional Organisations, particularly in the field of Tangible Asset valuations, are sole practitioners. Therefore, additional guidance is required in relation to how an individual valuer can quality control their own work and manage valuation risk.”

AA advised that the Foreword for IVS had been revised to refer to competence as shown below:

“IVS are drafted on the basis that valuers who use the standards are competent and have the requisite knowledge, skills, experience, training, and education to perform valuations. For the purposes of IVS, a valuer is defined as an individual, group of individuals or individual within an entity, regardless of whether employed (internal)

or engaged (contracted/external), possessing the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased, ethical and competent manner. In some jurisdictions, licensing is required before an entity, or an individual can act as a valuer (see IVSC Code of Ethical Principles for Valuers)."

The Board was advised that all the IVS General Standards have a Quality Control element.

The Board discussed Quality Control and how it related to valuation accuracy and valuation risk appetite.

The Board further discussed whether valuers can quality control their own work and review and challenge their own valuations, but no conclusion was reached.

The Board also discussed how this topic related to Valuation Risk.

Next steps

Further to discussions the Board agreed to set up a working group to explore this topic further.

BGn, BGr and ER volunteered to join the working group to explore this issue.

Inspections and Investigations – Short Term (IVSC SRB Topic Form Inspections and Investigations)

The Board discussed whether Inspections and Investigations should be part of the IVS TAB Agenda Consultation.

The Board reviewed the IVS Topic form and was advised that the problem statement was as follows:

"IVS (effective 31 January 2025) currently states the following in relation to Inspections within the tangible asset standards: 40.06 Sufficient investigations and evidence must be assembled by means such as inspection, inquiry, research, computation or analysis to ensure that the valuation is properly supported. When determining the extent of investigations and evidence necessary, professional judgement is required to ensure it is fit for the purpose of the valuation.

40.07 When a valuation engagement involves reliance on information supplied by a party other than the valuer, consideration should be given as to whether the information is credible or that the information may otherwise be relied upon without

adversely affecting the credibility of the valuation. Significant inputs provided to the valuer (eg, by management/owners) should be considered, investigated and/or corroborated. In cases where credibility or reliability of information supplied cannot be supported, consideration should be given as to whether or how such information is used (see IVS 101 Scope of Work, para 20.01 (j)).

However, a number of VPO's are requesting more prescriptive requirements in relation to inspection and in October 2023 the API stating that reconfirming that "a valuation requires a physical inspection under the current Standards and API Rules. While there are several products currently in the market that do not include a physical inspection, they cannot be represented as a Valuation per the API Standards. Products without a physical inspection which purport to be a Valuation, do not comply with Appendix C of the APIV Scheme, so therefore do not have the protection of the relevant liability cap under the API's Limited Liability Scheme." This has further increased jurisdictional inconsistency in the way inspections are considered across markets.

In addition, there have been a number of technological advances over the past few years and during the coronavirus crisis there was an increasing use of virtual inspections and drones as an alternative for physical inspection when physical inspection was either impractical or not possible. Since the coronavirus crisis a number of valuers have questioned why they cannot continue to inspect on a virtual basis.

Furthermore, there are a range of different inspections undertaken by valuers, which include but are not limited to drive by inspections, partial inspections, personal and full inspections. It is also not clear what constitute an inspection and whether an inspection involves other matters such as inspecting the locality and therefore to a certain extent there is also a definitional issue.

Moreover, tangible assets include a wide range of assets such as large tracts of land, pipelines, inaccessible areas within buildings such as confidential research areas and items of plant and machinery such as large car hire firms, where physical inspection of all the assets would not only be impractical but in many cases not possible.

As a result of these issues the TAB feels that it would be helpful to draft a perspective paper exploring the issue of inspections in order to clarify the requirements contained within IVS Scope of Work and how it relates to matters such as the asset, scope of work and the intended use."

The Board was further advised that the problem existed:

"... across all markets as each jurisdiction seems to have its own requirements in relation to inspection. Some jurisdictions mandate inspections whereas other

jurisdictions leave it open to the valuer's interpretation of what constitutes an inspection and under what circumstances an inspection is necessary.

Furthermore, what defines an inspection amongst valuation stakeholders also varies significantly, and ranges from the use of technology to conduct virtual inspections, to kerbside inspections, to highly detailed inspections in some instances involving the use of third parties to verify asset condition and maintenance.

Moreover, due to the range of differing asset types that come under tangible assets this is not an issue where one size fits all and therefore the inspection requirements could vary substantially according to the asset that is being valued.

In addition, the inspection requirements may also vary not only according to the scope of work and intended use for example inspection of a large portfolio of global assets as part of a long-term contract."

The Board noted that Inspection was included as a separate key topic within the agenda so agreed to discuss this topic in detail later.

Next steps

The Board to discuss Inspection in detail as a subsequent agenda item.

Valuation Risk /Valuation in a volatile market, Reasonable Range – Short/Medium Term (IVSC SRB Topic Form Valuation Risk)

The Board discussed whether Valuation Risk/Valuation in a volatile market should be part of the IVS TAB Agenda Consultation.

The Board reviewed the IVS Topic form and was advised that the problem statement was as follows:

*"IVS Exposure Draft currently includes the following definition for Valuation Risk
Valuation Risk: The risk that the resultant value is not appropriate for its intended use.
This is very much a holding definition, which deals more with valuation process risk.*

However, the SRB felt that it could not publish the Exposure Draft without including a definition for valuation risk as this is very much a key topic for IOSCO. However, the SRB agreed this was very much a holding definition and the SRB would set up a working group to explore the nature of valuation risk within valuations.

At the beginning of the corona virus crisis the SRB published a perspective paper on "Dealing with valuation uncertainty at times of market unrest. The perspectives paper distinguished between valuation uncertainty and valuation risk and stated that "while risk may be thought of as a measure of future uncertainties that may result in an increase or decrease in the price or value of an asset, valuation uncertainty is concerned only with uncertainties that arise as part of the process of estimating value on a specific date." The working group also discussed varying types of valuation risk within the valuation process such as:

- *Valuation Risk Appetite/Valuation Tolerance*
- *Valuation Risk Measurement*
- *Ongoing Valuation Risk*

In relation to valuation there are a number of risks a few of which are shown below

- *Context Risk*
- *Execution Risk*
- *Asset Risk*
- *Inherent Risk*
- *Residual Risk*
- *Liquidity Risk*

In relation to Business Risk, potential risks that a company faces can be analysed in many ways. Earnings at risk (EAR), value at risk (VAR), and economic value of equity (EVE) are among the most common, and each measure is used to assess potential value changes within a specified period."

The Board was further advised that the problem existed "across all markets and across all asset classes (i.e. business valuation, financial instruments valuation and tangible assets valuation)."

The Board discussed valuation risk and the difference between valuation risk and valuation uncertainty.

The Board noted that valuation risk was separate from investment risk and further noted that the term valuation risk was open to multiple interpretations.

The Board discussed reasonable range and whether this was an important component of valuation risk as most valuers would choose inputs that were contained in a reasonable range.

AA advised that this topic was being dealt with by a joint working group comprising SRB and Technical Board (*Business Valuation Board, Financial Instruments Board and Tangible Assets Board*) members.

AA further advised that the IVSC SRB Valuation Risk working group was being chaired by Richard Stewart.

Next steps

AA and KH to discuss Valuation Risk with the SRB and will report back to the Board at the next Board conference call.

Valuation Reviews, Appeals and External Audit – Medium Term (IVSC SRB Topic Form Valuation Reviews)

The Board discussed whether Valuation Reviews, Appeals and External Audits should be part of the IVS TAB Agenda Consultation.

The Board reviewed the IVS Topic form and was advised that the problem statement was as follows:

“IVS currently have no standalone standard on valuation reviews. There is confusion regarding what constitutes a review, how they differ from a full valuation and what are the different types of review.

Currently, the guidance concerning valuation reviews is dispersed at various points throughout the series 100 standards. This makes it difficult to get an overview of what is expected of the reviewer. This also interrupts the flow of the standards as valuation reviews differ from valuations themselves which are the subject matter of the various standards.

These are the various places in IVS which mention and deal with valuation reviews:

- *IVS 100 (Valuation Framework), paragraph 60.5 mentions valuation reviews but there is no definition of what constitutes a review and only minimal instructions in paragraph 70.2.*
- *IVS 101 (Scope of Work) has no specific instructions for valuation reviews which are different to valuations. For example, valuation reviews may not need individual letters of engagement if the valuer has a framework agreement in place with an auditing firm. Further instructions regarding terms of engagement/scope*

of work for valuation reviews are present in IVS 102 (Bases of Value), para. 30.1 and para. 30.2, even though this is not the most logical place for these.

- The most detailed instructions concerning valuation reviews are present in section 30 of IVS 102 - again not the most logical place for these, given this has nothing to do with Bases of Value. Minimal definitions are presented of valuation process review and value conclusion review. Such definitions should be present in the glossary and greatly expanded upon. Specifically, there is lack of clarity as to the difference between a value conclusion review and a full valuation. There are also potentially types of review not covered by these definitions, or lack of clarity on what could or should be included, for instance should the valuation process review include review of the data and assumptions underpinning the valuation.*
- IVS 106 (Documentation and Reporting) mentions valuation reviews alongside valuations, with no specific instructions for reviews. This is probably appropriate but should be discussed.*
- Section 40 of IVS 106 has specific instructions for valuation review reports. Para. 40.1 state that "A valuation review is not a valuation" but gives no further details. IVS 106 is probably not the place for this. This goes further to show the need for a single point of reference, preferably a standalone standard, to deal with valuation reviews.*
- Section 120 of IVS 400 (Real Property Interests) repeats some of the instruction regarding documentation and reporting in IVS 106. The need for this repetition is unclear. Similarly in para. 40.2. of IVS 400., para. 140.2 of IVS 500 (Financial Instruments).*

Note: the word 'review' features many times in IVS, especially in IVS 500 and also as part of the quality control process. A clear delineation should be included as to the difference between quality control as part of the process of valuation and of valuation review as an outside process conducted by a third party."

The Board was further advised that the problem existed "for all jurisdictions and asset classes. It is mainly applicable to investment valuations for financial reporting which are reviewed as part of the audit process, but reviews are conducted for other valuation purposes as well, such as securitised lending by banks, and by major consumers of valuation services."

The Board that a number of IVS (effective 31 January 2025) Exposure Draft consultation responses requested further clarification on the distinction between a valuation and valuation review.

The Board further discussed the difference between a “*value review*” and a “*valuation process review*” and whether further clarification in future iterations of IVS would be helpful.

The Boards noted that IVS 101 Scope of work section 30 and IVS 106 Documentation and Reporting section 40 provided more clarity in relation to Valuation Reviews.

The Board further noted that this topic also related to the other Technical Boards Valuation and recommended that the Technical Director should speak to the other Technical Board Directors to see if this topic was of mutual interest.

The Board discussed that in some instances valuation reviews may not provide a value but may check if the comparables or yields used are within a reasonable range.

The Board also noted that USPAP contained several advisory opinions on valuation reviews and that both RICS and TAQEEM provided additional best practice guidance on valuation reviews.

Further to discussion the Board agreed that Valuation Reviews should be included in the Agenda Consultation.

Next steps

AA to speak to the other Technical Board Directors to see if they are interested in participating in a perspectives paper on Valuation Reviews.

Artificial Intelligence/Blockchain/Real Asset Tokenisation – Medium/Long Term (IVSC SRB Topic Form on Artificial Intelligence/Blockchain/Real Asset Tokenisation to follow)

The Board discussed the increasing use Artificial Intelligence and Chat GPT and the increasing number of automated valuation models and automated valuation reports.

The Board was advised on the following book in relation AI and valuation:

The Generative Shift (preparing appraisers for Artificial Intelligence Models like Chat GPT) – Jim Amarin

The Board recognised that though AVMs could be used as a tool for a valuation the sole use of an AVM would not provide an IVS Compliant Valuation.

The Board also discussed inspection and how technology such as drones made virtual inspections possible.

The Board discussed asset tokenisation and how block chain can be used for asset tokenisation and how it allowed a wide range of investors to participate.

The Board also discussed how the other Boards, in Particular the Financial Instruments Board could assist in this process.

The Board felt that the Perspective Paper should look at the increasing use of PropTech and Artificial Intelligence and the transparency within the Scope of Work as to where Artificial Intelligence is used in the valuation and/or in valuation reports.

The Board discussed issues in relation to data protection and the use of Artificial Intelligence, particularly when confidential client information is used.

The Board also discussed the need to speak to experts and academics to further understand the development of artificial intelligence and its potential use in valuations.

AA advised that this topic was being dealt with by a joint working group comprising SRB and Technical Board (*Business Valuation Board, Financial Instruments Board and Tangible Assets Board*) members and was a key topic within the Agenda Consultation.

Next steps

AA and KH to discuss Artificial Intelligence with the SRB and will report back to the Board at the next TAB conference call.

TAB Agenda Consultation Finalisation: Next Steps, Roles & Responsibilities (2024.02.20. TAB Proposed Agenda Consultation Topics)

AA advised that he prepare a preliminary draft of the IVS Agenda consultation to be discussed by the Board during their April meeting.

The Board requested that retrospective/historic valuations for taxation and other purposes should also be include as a TAB key topic.

Next steps

AA to create a preliminary draft TAB Agenda Consultation for the Board to discuss and review.

AA to include retrospective valuations as a key topic.

Key Topics

Prudential Value (Prudential Value Briefing Paper, 2024.01.19. Consultation paper on amendments to the RTS on Prudent Valuation (EBA-CP-2024-001), 2024.01.05. What Basel 3.1 will mean for real-estate sector | Journals | RICS, 2023.10.30. Final Sectoral Paper on Operationalising the Property Value - October 2023, Article from TEGoVA in relation to Prudential Value and Article from TEGoVA in relation to Prudential Value)

- ***RICS paper: "What Basel 3.1 will mean for real-estate sector" published 5 January 2024***
- ***BCBS letter: "Baseline" to build upon for perspectives paper***
- ***What else do we need to cover?***
- ***Do we need to change direction on any items?***
- ***Perspectives Paper: Next Steps, Roles & Responsibilities***
- ***Working Group Timeline***

KH advised that there had not been much change in the Prudential Value situation over the past 12 months.

KH added that there were the following two main issues in relation to Prudential Value:

- Interpretation of the definition of Prudential Value, which mixes Price with Market Value.
- Valuation Methodology: Due to data challenges, there is likely to be a different methodology used across markets.

KH advised that though the IVSC can contribute to discussions on the definition the valuation, methodology was likely outside the remit of the IVSC and should be discussed by Valuation Professional Organisations.

KH further advised that there was no consistent view in relation to Prudential Value and as shown by the attached papers, the EMF, TEGoVA and RICS all seemed to have a separate point of view.

EMF: focussed on valuation methodology and in their paper on “*Operationalising the Property Value*”, which was published in October 2023 the EMF stated the following in relation to Methodological considerations for the market value adjustment:

- *Based on the research undertaken within the industry and for reasons of practicability and proportionality, the mortgage and valuation industries are of the view that this adjustment should be determined at an aggregate geographical and market segment level by, for example, an independent entity within a financial institution, a well-established and independent authority or organisation, or another appropriate well-established and independent body, with national market oversight, using relevant observable market data to identify whether current market values are above long-term trends, providing evidence of the adjustment to market values which would be appropriate.*
- *In order to ensure appropriate risk sensitivity and to account for the differences between and within property segments at national level, the adjustment approach should enable a sufficient level of flexibility as regards its components and parameters.*

RICS: have been working with the BoE and the Prudential Regulatory Authority in the UK to provide an agreed valuation methodology for valuers in the UK. In Europe there appears to be a separate approach due to data challenges. However, in the recent article published in the RICS Modus Property Journal on “*What Basel 3.1 will mean for real-estate sector*” there seems to be a slight change of direction as the article states as follows:

“Until a framework for valuation for commercial and residential lending is agreed and implemented, however, RICS members are advised to inform clients requesting prudent value in their instructions of the situation, and to continue to provide market values for their banking or lending clients.

In the meantime, RICS is engaging with UK and EU decision-makers to clarify the meaning and impact of these criteria for markets, valuers and banks.”

TEGoVA: stand firmly for the independence of valuers in calculating Prudential Value. In their article on Prudential Value TEGoVA stated as follows:

“TEGOVA, having anticipated the discussion on the new provisions of the Capital Requirements Regulation by months, emphasises the importance of maintaining independence in property valuation. Grzesik, speaking at a recent meeting with EMF

in Venice, highlighted the impracticality of EMF's proposal, which he sees as a potential obstacle to the goal of providing accurate and reliable valuations.

The independence and qualification of evaluators are seen as pillars for maintaining integrity in the evaluation process.

This position reinforces the importance of qualified and certified real estate valuers, whose services are crucial to ensuring transactions and financing based on impartial and accurate valuations.

In an era of increasing regulation, TEGOVA's position emerges as a bulwark for maintaining reliability and professionalism in the real estate valuation industry."

KH also advised that the IVSC had submitted a Briefing paper to the Basel Committee on banking supervisions and had also met with the Banking Unit of the European Commission to highlight concerns but had received no response.

RC advised that in Israel there was already a standard on Prudential Value.

The Board discussed the valuation methodology for Prudential Value and agreed that due to data challenges there could be no consistent valuation methodology which would work for all markets so in the opinion of the Board the valuation methodology would differ across markets.

The Board also felt that the calculation of Prudential Value for secured lending purposes was more a matter for Banks and regulators.

KH advised that much of the contents of the briefing paper sent to the BCBS was still relevant and advised that in advance of the next TAB conference call he would work with AA to draft a perspectives paper on Prudential Value.

Next steps

RC to share standard 19 on Prudential Value with the Board. KH and AA to draft a perspectives paper on Prudential Value to share with the Board ideally at the next TAB meeting, but if not over the coming months.

ESG (ESG and Real Estate Valuation, 2024.02.21. ESG and Plant Equipment and Infrastructure Valuation Perspective Paper Brief and WBEF ESG and valuation 2023 - data list FINAL)

- ***IVSC Perspectives Paper: ESG and Real Estate Valuation***

- ***IVS 2025: What did we get right, how could it be better in IVS 2028?***
- ***Plant, Equipment and Infrastructure Perspective***
- ***Perspectives Paper: Next Steps, Roles & Responsibilities***
- ***Working Group Timeline***

KH talked the Board through the following proposed structure for the ESG and Plant Equipment and Infrastructure Valuation Perspective Paper Brief:

1. ESG overview

2. ESG and IVS 2024

- *The new state of play*
- *What does the new IVS require*
- *What does the new IVS not require*
- *The flexibility to find your own ESG solution*

3. PEI – How should we think about each of

- *E*
- *S*
- *G*

4. ESG – Some international perspectives

- a) *Brazil*
- b) *UK*
- c) *Australia*
- d) *Canada*
- e) *Germany*
- f) *Middle East*
- g) *Spain*
- h) *USA*

5. ESG – Some asset class perspectives

Group to add common examples:

- a) *Energy (coal v wind v solar v nuclear)*
- b) *Transportation (diversifying the energy source from batteries to green fuel, and the importance of public transport)*
- c) *Utilities (what does the future hold for electricity and gas distribution)*
- d) *Mining (what are the big ESG impacts on mining, the demand for critical minerals, the importance of good governance)*
- e) *Infrastructure (the importance of socially critical infrastructure such as water infra)*
- f) *Data Centres – CS*

- g) Cold Storage
- h) Pharmaceuticals – Lab or cleaning centres
- i) Leisure (ski fields adapting to become all season adventure playgrounds with rising temperatures)
- j) Integration with P & E within mainstream real estate assets.

6. ESG – Applicable to all valuation approaches

- **Market approach**

- a. When appropriately matching evidence with your subject, all ESG value drivers are incorporated.
- b. Market multiples in some industries (ie. energy transactions in coal v wind generation).
- c. Perhaps you don't have the perfect comparable, but maybe it's a good floor or ceiling value.

- **Income approach**

- a. Impacts to revenue (green products such as green aluminium may sell for a premium), operating costs (efficiencies), increased taxes (pollution), forecast capex (high or low make-good), terminal value (on the upside or downside).
- b. Limitations or extensions to life that impact forecast cashflow period.
- c. Favourable or unfavourable financing impacting discount rates (sustainability linked debt, LTV ratios, debt tenure).

- **Cost approach**

- a. What is my asset replacement
- b. Lifting, depreciation profiles and residuals
- c. Technological obsolescence (ie. how quickly is technology evolving to cater for ESG demand, is my asset meeting current regulatory standards)
- d. Functional obsolescence (ie. ESG scores, fuel efficiency, other excess operating costs)
- e. Economic obsolescence

7. ESG – Some PEI might not be green, but greener (best in class)

(Embodied Life cycle)

- a. See rail logistics case study (see <https://pacificnational.com.au/pacific-national-acquires-new-freight-locomotives-in-line-with-esg-strategy/#:~:text=3%20Nov%202021-.Pacific%20National%20acquires%20new%20freight%20locomotives%20in%20line%20with%20ESG,will%20be%20more%20environmentally%20friendly>)
- b. ESG will be an iterative process over time for many asset classes.

- c. *Companies that have defined and incremental strategies in place are being rewarded by the providers of capital, even if they aren't green.*
- d. *Be strategic and adapt, or be punished.*
- e. *automobiles – car green, battery not (scope 1, 2 and 3)*

8. ESG – PEI requires deeper thinking but manageable within existing IVS

- a. *What prominent sections of IVS come into play*
 - i. *General Standards*
 - ii. *IVS 300*
- b. *It's all about the valuer interpreting the market appropriately, not inventing the market.*
- c. *It must be measurable.*

9. Conclusion - What's on the next frontier for PEI & ESG

- a. *Betterment, replacing an asset with what*
- b. *IFRS reporting requirements ... a plethora of information is almost upon us*
- c. *Do I have a stranded asset or a liability*
- d. *Am I appropriately limiting my insurance reports*

Next steps

IVSC TAB ESG Working Group to continue drafting the perspective paper, which is to be considered by the Board in due course.

Inspection

The Board was advised that since the publication of IVS (effective 31 January 2025) some Valuation professional organisations had said that in their opinion Physical inspections should be mandatory for all real estate assets.

The Board discussed defining inspection and noted that the RICS and USPAP defined inspection as follows:

RICS Definition:

Inspection: *A visit to a property or inspection of an asset, to examine it and obtain relevant information, in order to express a professional opinion of its value. However, physical examination of a non-real estate asset, for example, a work of art or an antique, would not be described as 'inspection' as such.*

USPAP Definition:

Personal Inspection: *(for an appraisal assignment) the appraiser's in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's in-person observation of the subject of the work under review, performed as part of the scope of work.*

Comment: *An appraiser's personal inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewellery, may require the use of specialized equipment. A personal inspection is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).*

The Board members discussed the situation in relation to inspections in their market and advised as follows in relation to their world regions:

Australia: In Australia inspection is mandatory for real estate valuations and inspections should be carried out by a qualified valuer. However, for plant, equipment and infrastructure the requirement to inspect will vary according to the asset, intended use and scope of work.

Brazil: In Brazil it is mandatory to carry out an inspection for real estate assets and the inspection should be carried out by the valuer or someone who is qualified within the valuation team. In relation to plant and equipment valuation a hybrid state exists, where inspections are encouraged but are not necessarily mandatory.

Europe: In Europe requirements can vary on a country-by-country basis. For example, in Spain it is mandatory to inspect a property for real estate valuations, whereas other European countries have no mandatory requirements.

Israel: In Israel there are two main sources for inspection requirements comprising the Regulation for Land Valuers and Expert witness requirements. In both instances a physical inspection of real estate assets is mandatory. The inspection should be carried out by the primary valuer or a qualified valuer or valuation trainee.

Central and Latin America: In Central and Latin America the requirement to inspect an asset for valuations can vary on a country-by-country basis. Some countries adopt a prescriptive approach and mandate inspections, whereas

other countries adopt an approach equivalent to the requirements contained within IVS.

Middle East: In Saudi Arabia and in most Middle Eastern countries' inspections are a mandatory part of the valuation process and inspections should be carried out by a qualified valuer.

UK: In the UK there is no mandatory requirement for inspection of commercial real estate assets but *"inspections and investigations must always be carried out to the extent necessary to produce a valuation that is professionally adequate for its purpose."* In respect of residential property valuations *"unless otherwise instructed, the valuer will inspect the property to be valued."*

USA: USPAP states that *"An inspection of a property is not required by USPAP, but one is often conducted. USPAP does require the report to include a certification that indicates whether or not the subject property was personally inspected by the appraiser(s)."*

The Board discussed the AGM in Paris and the comments made by the IVSC Advisory Forum working group (AFWG) in relation to inspection.

KH asked AA if he had received any further comments from the AFWG or Trustees in relation to inspection and AA advised that he had received no further comments from either the AFWG or Trustees in relation to inspection.

Further to discussion the Board agreed that in order to provide additional clarification on the issue of inspection the Board should publish a perspective paper in Q2 2024.

The Board discussed whether the draft perspectives paper should include a hierarchy of inspection.

The Board agreed that the perspectives paper should include examples of different inspection requirements around the world.

The Board further agreed that the perspectives paper should include some examples of where physical inspection may not be practical such as :

- Apartment Block or Hotels (valuer may choose to see a sample of flats or hotel rooms)
- Car Hire Firms
- Land

- Retail chain (*Aldi or Lidl, where there may only be 4 different types of units*)
- Regular Purpose Instructions

The Board discussed the use of drones for inspection and engineers for building condition constituted an inspection.

The Board discussed different types of inspection from drive by inspections to walk through inspections and what constituted an inspection.

The Board noted that under USPAP it is up to the valuer to determine the appropriate level of inspection and the valuer needs to determine the appropriate level of inspection on a case-by-case basis.

The Board felt that were two main questions to be answered in relation to inspection:

- *Is an inspection mandatory?*
- *What constitutes an inspection?*

The Board discussed portfolio inspections, where it may not be practical to physically inspect all the assets and how valuers would often agree to inspect a sample of the portfolio (*usually the highest valued assets*).

The Board further discussed who should inspect the asset and whether an asset should be inspected by the lead or a qualified valuer within the team.

The Board also discussed the use of other specialists for inspection such as agronomists, architects and engineers.

The Board noted that for the valuation of a portfolio of 100,000 residential properties it would not be practical to inspect each property and normally the valuer would inspect a sample of the highest value properties.

The Board discussed whether the level of inspection as more a matter for the scope of work and whether it related to disclosure.

The Board also noted that for regular purpose valuation (*i.e. a four year instruction*) the valuer may agree to inspect all the assets over the term of the instruction (*e.g. 25% of the assets per year*).

The Board was advised that this topic was also discussed at V20 and the case of a 500km transmission line the valuer would not need to inspect every lattice tower.

Next steps

AA and KH to draft a perspectives paper on Inspection to be discussed at the next TAB conference call.

Public Meeting

IVSC TAB Public Meeting - Valuations & Site Inspection

The Board held a public meeting to discuss Valuations and Site Inspections and generally discussed the following matters:

- *Aligning IVS Goals: Building confidence and public trust in valuation by producing transparent and consistent standards. International, principle-based valuation standards that are intended to sit above jurisdictional, asset class or valuation purpose considerations.*
- *Current IVS setting: Transparency but not mandatory, Scope of Work, Investigations & Compliance, Limitations & IVS Compliance*
- *The use of "Professional Judgement", see IVS 400 section 40.3 and 40.07, for example.*
- *Current jurisdictional settings (Australia, UK, North America, Brazil, Israel)*
- *USPAP: Defining "Personal Inspection", see Advisory Opinion 2*
- *Asset class perspectives and limitations (120k residential properties, transmission line, multinational offshore oil rig portfolio, global hire car business, portfolio of outback cattle stations, portfolio of jet engines, inspection of healthcare facilities).*
- *Valuation purposes and limitations (litigation and dispute, quarterly portfolio valuations, hostile M&A, retrospective valuations where the fact pattern has changed materially, ad-valorem taxation)*
- *Prospect of an inspection hierarchy (desktop, sample inspection, kerbside, detailed, rigorous ... what does each level actually provide)*
- *Prospect of a two-tiered valuation hierarchy (ie. limited or restricted assessment versus valuation)*
- *Perspective Paper: Next Steps, Roles & Responsibilities*
- *Working Group Timeline*

Next steps

None.

Standard Setting

IVS (Effective 31 January 2025) Update and Presentations (2024.02.05. IVS Update Webinar - Feb 2024 and 2024.02.05. IVS Exposure Draft Presentation Script)

AA advised that IVS (Effective 31 January 2025) was published on 31 January 2024, AA further advised that IVS (Effective 31 January 2025) Basis of Conclusion will be published in the next few days in IVSC Enews.

AA also advised that the following IVS (effective 31 January 2025) presentations had been provided or were in the process of being provided.

| Date | Organisation | Type | Presenter |
|-------------------------------|--|------|------------|
| Provided | | | |
| Presentations Provided | | | |
| 22 January 2024 | European Mortgage Federation | Full | DS |
| 05 February 2024 | IVSC Presentation | Full | AA, DS, SD |
| 06 February 2024 | IVSC Presentation | Full | AA, DS, SD |
| 08 February 2024 | IVSC Presentation | Full | AA, DS, SD |
| 09 February 2024 | IVSC Presentation | Full | AA, DS, SD |
| February 2024 | CMVM – stock exchange | Full | JC |
| February 2024 | Bank of Portugal | Full | JC |
| February 2024 | ISEG (university with master accredited by RICS) | Full | JC |
| February 2024 | Tinsa – Biggest mortgage valuation company in Spain | Full | JC |
| 14 February 2024 | TAQEEM | Full | AA |
| 21 February 2024 | AaRVF, NVA, BSVCFICA | Full | AA |
| 07 March 2024 | JLL Presxentation 1 | Full | AA |
| 07 March 2024 | JLL Presxentation 2 | Full | AA |
| Future Presentations | | | |
| 07 March 2024 | JLL Presxentation 1 | Full | AA |
| 07 March 2024 | JLL Presxentation 2 | Full | AA |
| 20 March 2024 | ICAEW | Full | AA |
| 22 March 2024 | LPA | Full | AA, NK |
| April 2024 | ISCTE and Catolica Universities - Portugal | Full | JC |
| April 2024 | Webinar in Iberia open to professionals together with RICS | Full | AA, JC, SD |
| April 2024 | Spanish Banks | Full | JC |
| April 2024 | Regulators in Angola, Mozambique and Cape Verde | Full | JC |

AA informed the Board that he had a standard presentation and script that the Board could present to key stakeholders in their market.

AA advised that he would be available to join any presentations given to key stakeholders and would also be available to co-present any presentations.

AA asked the Board to update him on any presentations given so he can keep an updated list of IVS (effective 31 January 2025) presentations provided.

Next steps

AA to send a copy of the IVS (effective 31 January 2025) presentation and presentation script to the Board. Board members to advise AA of any presentations given to key stakeholders. AA to send a copy of the IVS (effective 31 January 2025) Basis of Conclusion to the TAB post publication.

Future Additions and Revisions to IVS Tangible Assets Standards (*land, personal property etc*)

Agricultural and Plantation Land

The Board discussed whether additional standards were needed in relation to Agricultural and Plantation Land.

ER advised that in Brazil 6% of lands are public, 44% are private, and 17% are unregistered or with unknown tenure. From the public, 6% are undesignated.

The Board was also advised that in some countries everything above and below the land was owned by the government.

The Board discussed whether different valuation approaches were the valuation of land and noted that for land the quality of the soil, productivity and resource availability (water) was an extremely important part of the valuation process.

The Board further discussed Biological Assets and whether a different valuation approach was required.

AA advised that that the IVSC had previously published a perspective paper on Biological Assets.

The Board asked AA to share a copy of the IVSC Perspectives Paper on Biological Assets.

Next steps

AA to share a copy of the IVSC Perspectives Paper on Biological Assets with the Board.

Compulsory Purchase

The Board discussed whether additional standards were needed in relation to Compensation.

The Board noted that compensation varied across national jurisdictions and in many instances, compensation was enshrined in law.

The Board discussed a perspectives paper on compensation that would act as awareness piece highlighting different compensation practices around the world and how valuers should think about it.

Next steps

The Board to discuss the issue of compensation further when SKD presents this topic during the next Board conference call.

Discussion

USPAP and Harmonisation of Standards (Lisa Demarais (Vice President, Appraisal Issues) & Michelle Czekalski Bradley (Chair of the ASB))

MB and LD provided an update on the changes to USPAP, most of which centred around the professional bias.

MB explained that to ensure there was no bias in a valuation the valuer needs to avoid subjective comments within their valuation (e.g. *nice area etc*).

MB advised that valuation reports could not refer to crime rates in a locality without providing a national crime rate comparison.

MB further advised that USPAP had changed the definition of personal property within USPAP as follows:

Personal Inspection: The appraiser's in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's in-person observation of the subject of the work under review, performed as part of the scope of work."

MB also advised that USPAP states that *"An inspection of a property is not required by USPAP, but one is often conducted. USPAP does require the report to include a certification that indicates whether or not the subject property was personally inspected by the appraiser(s)."*

MB also discussed updating the Bridging document for USPAP and IVS.

Next steps

AA to discuss updating the bridging document with MB and Tom Boyle (*author of the previous bridging document*).