

September 3, 2010

Mr. Chris Thorne, Chairman
International Valuation Standards Board
International Valuation Standards Council
41 Moorgate
LONDON EC2R 6PP
United Kingdom

RE: Comments on *Exposure Draft Proposed New International Valuation Standards*

Dear Mr. Thorne:

On behalf of the Appraisal Institute, its Appraisal Standards Committee (“ASC”) submits these comments on the *Exposure Draft Proposed New International Valuation Standards*. The ASC has many members who are experienced standards setters and certified by the Appraisal Foundation as teachers of appraisal standards. We trust you will find the following comments helpful to you in this process.

In preparing these comments the ASC focused on the big picture. Therefore, the ASC did not prepare comments with suggested revisions to the specific language of the exposure draft because if the IVSB agrees with any of our overview comments the specific language of the exposure draft would change and comments on current language would likely be no longer relevant.

1. Do you find the new structure of the Standards to be logical and easy to follow? If not, what alternative would you propose?

No. The proposed standards continue to mix Standards and guidance regarding both those Standards and best practices. One of the stated goals of the proposed revisions is to make the Standards more accessible to not only to valuation practitioners but also to their clients and any third parties who may rely on valuations. In order to develop a document that will be able to be understood by this diverse set of individuals Standards and guidance need to be separated. Also, separating the Standards from guidance will result in a document with greater enforceability.

Another structural issue is the Application Standards. Standards should be principles-based and therefore be written such that separate standards need not be created for different types of applications. Guidance can then be provided to address issues relevant to specific applications.

2. Do you consider that the combination of background information and specific directions to be helpful?

No; the mixture of Standards and guidance is confusing.

Would you prefer all background information and explanatory information on asset classes to be removed from the standards so that only the specific directions applicable to each application or asset type remained?

Yes. Background/guidance material should be separated from the Standards. This will improve the clarity, understandability and enforceability of the Standards.

3. Which delivery method for the new edition of the standards are you or your organisation likely to use?

Electronic. Accessibility would also be greatly enhanced if a viewable copy were available on the IVSC website, as it had been in the past and as is the practice of other organizations that publish appraisal standards, The Appraisal Foundation, for one example.

4. Do you consider that this objective has been met? Do you consider that there are any additional valuation concepts and principles that should be considered and discussed in this standard?

As this Standard combines background material, guidance and Standards, we reiterate our response to question 1, above.

5. Are you in agreement with this approach or would you prefer the word "valuation" either not to be used at all or always used with qualifying words to indicate the intended meaning, for example "valuation process" or "valuation result"?

For greater clarification, we support the use of "Valuation Process" and "Valuation Results".

6. Do you agree that these three approaches encompass all methods used in the assets or liabilities that you value? If not, please describe what approaches you feel have been omitted.

We agree that these three approaches encompass the methodology typically used in valuation practice. However, the specificity of discussion goes beyond the scope of "standards" and into the realm of guidance. Recommendations regarding "hierarchy of approaches" are more appropriate for textbook material than for Standards, and should be left to the judgment and discretion of professional valuers as these decisions are based on market conditions at given points in time.

Further, while this particular hierarchy may be applicable to some intended uses, valuations for financial reporting (VFR) purposes for example, it is not necessarily applicable to all intended uses of valuation reports.

Lastly, including such a hierarchy in the Standards seems to contradict the philosophy the Chair of the IVSB states on page ii of this request for comments: "However, while a vibrant debate on the merits of different methods is essential for the valuation profession as a whole, it would be wholly wrong for the IVS to endorse or approve one method in preference to another...valuation methodology is outside the scope of these standards."

- 7. Do you agree with this hierarchy and do you consider it helpful? If not explain if you would prefer to see no reference to a hierarchy or would prefer an alternative hierarchy.**

See response to 6, above.

- 8. Do you find this change of terminology to be helpful? If not please explain what alternative you would prefer and why.**

The term "sales comparison approach" is commonly used both by valuation professionals and by users of their services and is well understood. We believe it would be confusing in the market to change this term.

Further, a general observance is that labels used in Standards should not be mandatory.

- 9. Do you agree with the proposed change to the definition? If not indicate what alternative you prefer and why.**

The ASC seriously considered the options presented, and respectfully suggests the IVSB consider the term "premise" instead. The phrase would then be: "fundamental measurement premise of a valuation". We believe this more accurately represents the inputs of the professional valuer.

- 10. Do you agree with this proposed change? If not, please explain why and what you believe the distinction is between investment value to a prospective purchaser and special value to a prospective buyer who can realise that special value to be?**

We understand why you are trying to create this distinction but the proposed terminology does not create greater clarity than currently exists. The current terms are understood in the market and so there seems to be no need for change. The ASC also queries where these terms would be used in the Standards. They seem more appropriate for discussion in guidance material.

- 11. Do you support the continued use of the term "Investment Value" or would you prefer an alternative? If so, what would that alternative be?**

See response to 10, above.

- 12. Do you agree with the approach taken in IVS? If not, explain why not and give examples where you believe the highest and best use may be different from the market value.**

The introductory statement to this question references "other literature" but does not identify it. Identifying what other literature was reviewed would be helpful.

Although the notion of "highest and best use" is inherent in the definition of market value, properties don't always sell for their market value, and those that do are not always transacted based on their

highest and best use (urban infill parcels used for parking, for one example). Part of the process is defining what you are valuing.

13. Do you consider this proposed change in the definition to be helpful? If not, please indicate how you believe it could be improved.

We believe it would be highly confusing to both valuers and users of valuation services to have one term with distinctly different meanings. We found the use of these different definitions within the IVS to appear to create an internal inconsistency in the document itself.

Further "fair value" is defined to mean one thing in the Glossary and another in section 201.01, thereby creating more confusion.

14. Do you:

a) Agree with the inclusion of a standard for scope of work in IVS?

The inclusion of the concept of "scope of work" is a positive change for the IVS.

b) That the minimum contents identified in the draft are proportionate and represent a realistic minimum standard? Disagree

If you disagree, please explain why.

The proposed scope of work section needs to be rewritten and it needs to start with a definition of "scope of work." The current Standard lists items that must be considered in order to determine an appropriate scope of work but these items do not constitute a scope of work. As it is currently written there is no way to test the adequacy of the resulting scope of work, simply because it is not defined; the purpose of the scope of work is not stated.

15. Do you agree with the changes that have been made? If not, please explain what provisions of the current IVS3 you believe should be carried forward into the new standard.

It appears that the requirement for a signed Compliance Statement has been dropped. Such a statement is important because that is where the individual valuer takes responsibility for his or her work. Without an individual signature and compliance statement responsibility for the report is unclear.

This seems to tie in with the notion that a professional valuer can be either an individual or a firm.

This is a significant change from the current IVS and incompatible with other recognized valuation standards. Historically, the valuation profession has been distinguished from the legal and accounting professions in that an individual valuer has been required to take responsibility for his or her work and to certify to his or her independence, where law and accountancy firms signed reports as a firm, with no individual's name appearing on the signature line.

This is a "sea change" for our profession, and for those who rely on our opinions. This change is being presented with no explanation or rationale.

Further, the existing Compliance Statement is not purposed to be replaced with a similar statement to be signed by a firm, rather than an individual. Are valuers no longer required to certify to their independence?

The ASC is deeply concerned about this and exhorts the IVSC to reconsider this position.

16. Which view do you support? If you consider that future IVS should contain application standards, do you consider that the degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements?

We believe that the fundamental principles of valuation should remain unchanged regardless of the purpose for which the analysis or report is being prepared and therefore these application standards are superfluous. Guidance information concerning different applications would be better located in a separate section or document.

17. Which of these views do you support?

Neither. While it is appropriate to look at the other standards and potentially reference them in guidance material, valuation standards should not be aligned with other standards that address only part of the market for valuations.

18. Do you have any other comments on the general structure of the Asset Standards? Do you consider that a class of "personal property" can be identified that is not already covered by the proposed new asset standards? If so, do you consider that it has distinct characteristics that need to be considered in valuations that would benefit from a new IVS asset standard being developed?

The ASC believes that the Standards should be more broadly presented and principles-based, rather than addressing methodology as specifically as is done in the new "asset standards." If they were promulgated in that fashion, as true "standards," there would be no need for so many categorizations; the three main asset classes, real, personal and intangible property, could each be addressed in separate Standards, and the valuation of particular types of assets could, and should be addressed in guidance material should the IVSB choose to address these matters.

19. Do you agree that a standard on valuing non financial liabilities is required and what topics should it cover?

No. See response to 18, above.

20. Please identify any additional types of asset or liability that you believe should be considered for future inclusion in IVS, together with an indication of the benefits that you consider a new standard would bring.

As noted above, the standards should be written so that there is not a need to develop separate standards for different asset types. If there is a need for guidance concerning a particular asset type that should be provided as guidance not as a standard.

Thank you for your consideration of our comments. If you have any questions about these comments please feel free to contact me.

Sincerely,

Submitted electronically

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