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# Why is a vibrant property profession important to society?



- 70% of a nation's wealth
- 60% of all utilised materials used in construction
- 60% of energy used on heating and servicing buildings
- 40% of carbon emissions emitted from Buildings
- 10% of workforce employed in the sector

# Why do we need International Standards?

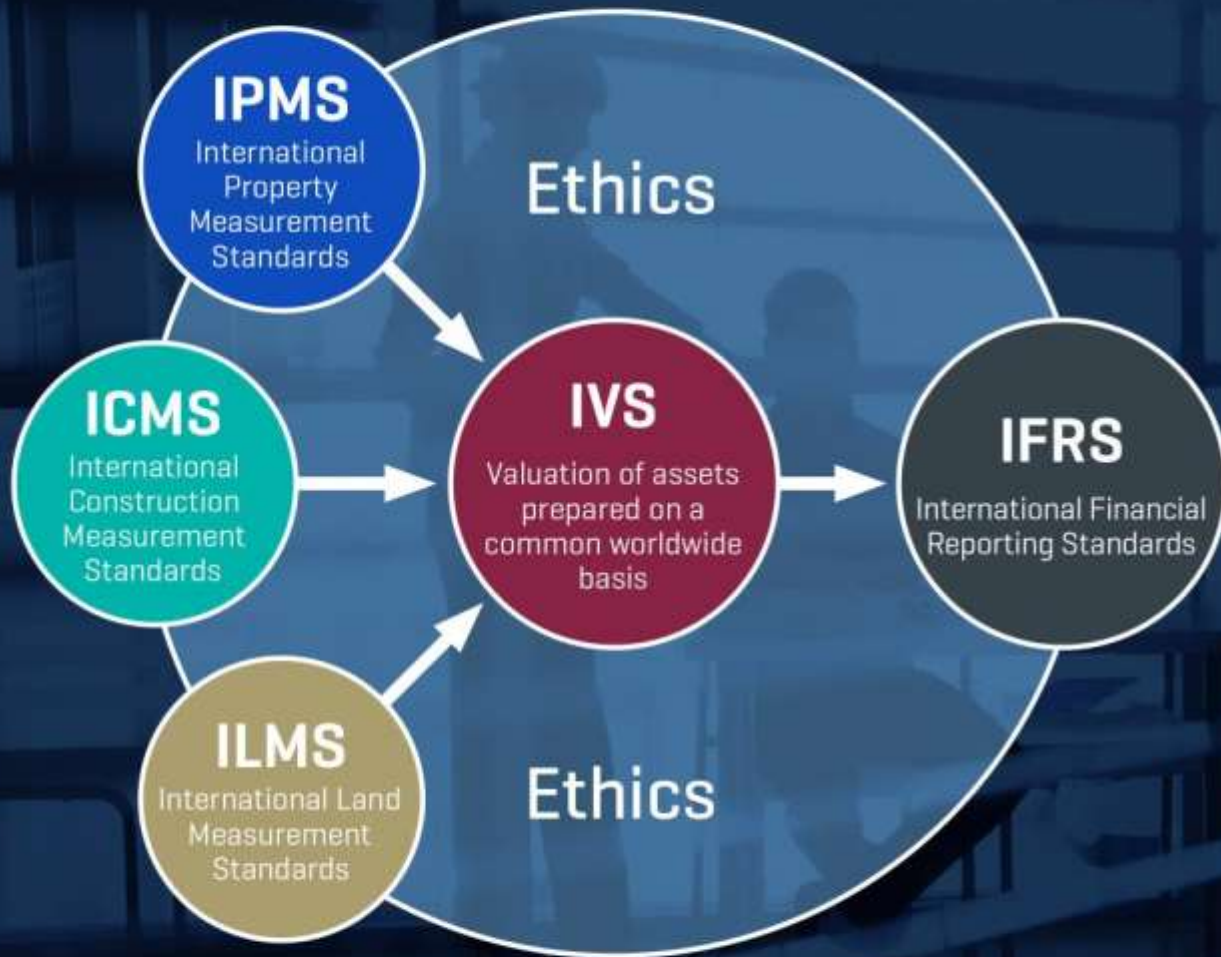


“Consistent and reliable valuations are vital to our organisation; this is why we insist on valuations that are delivered in accordance with the requirements of IVS delivered through the RICS Red Book. The Red Book ensures consistency of valuation practice, and imposes strict ethical standards”.

Alexander G. Hesterberg, *Managing Director, Credit Risk Management, Deutsche Bank*



# International standards – working together



“There is only one Nottingham Forest – and Red Book”

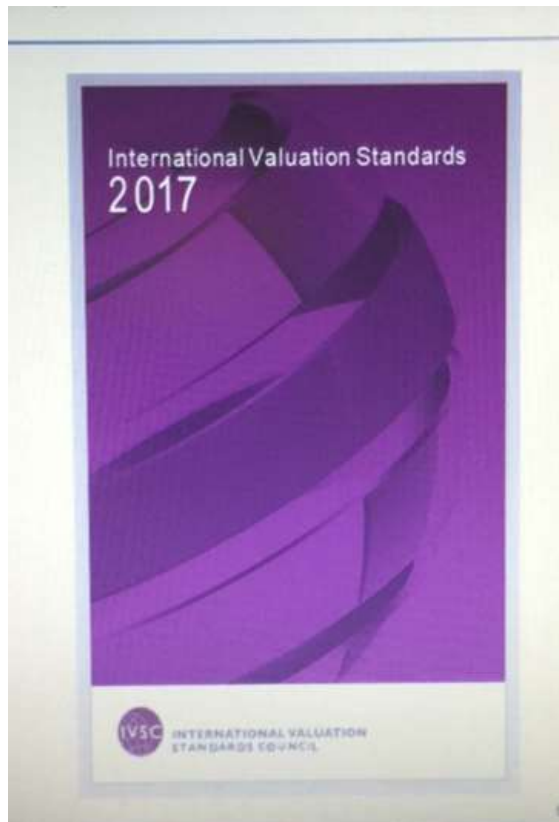
But with up to 3 Sections

1. IVS's
2. Red Book Global
3. National Supplement (Chapter)



# RICS Red Book Purpose

“To provide an effective framework within the Rules of Conduct so that the users of valuation services can have confidence that the valuation of a RICS Member is consistent with IVSC internationally recognised standards”



## Back to school

5 stages of a Valuation:	IVS's	Red Book
1. Instructions	101 Scope of Work	VPS1 Terms of engagement
2. Basis of value	102 Investigations & Compliance	VPS2 Inspections investigations & records
3. Data collection and management	103 Reporting	VPS3 Valuation report
4. Methodology	104 Basis of value	VPS4 Bases of value, assumptions & special assumptions
5. Report	105 Valuation approaches & Methods	VPS5 Valuation approaches & methods



## IVS 2017

- Comprises General Standards and Asset Standards
- Two new General Standards:
- IVS104 Bases of Value
- IVS 105 Valuation Approaches.
- Effective Date 1st July 2017
- **All IVS 2017 mandatory**



# Introduction and Framework: Glossary

**May:** The word “may” describes actions and procedures that valuers have a responsibility to consider. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances.

**Must:** The word “must” indicates an unconditional responsibility. The valuer must fulfil responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.

**Should:** The word “should” indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards.



# Introduction and Framework

## Introduction

## Glossary

## IVS Framework

## Asset Standards

IVS 200 Businesses and Business Interests

IVS 210 Intangible Assets

IVS 300 Plant and Equipment

IVS 400 Real Property Interests

IVS 410 Development Property

IVS 500 Financial Instruments

## Index



# IVS 2017 General Standards – IVS 104

a) IVS-defined bases of value:

i) Market Value,

ii) Market Rent,

iii) Equitable Value,

iv) Investment Value/Worth,

v) Synergistic Value, and

vi) Liquidation Value.



# RICS Red Book – Overarching Aim

## The Red Book:

- draws together international standards and requirements relevant to valuation
- ensures their effective implementation by RICS members through the addition of RICS-specific material.

## Additionally it:

- reflects the growing importance of successfully combining professional, technical and performance standards
- ensures deliver of high quality valuation advice which meets the requirements and expectations of clients, of governments, regulatory bodies and other standard-setters, and of the public.



# Red Book Structure

The 2017 Red Book Global is in 6 parts

1. Introduction
2. Glossary of terms
3. Two RICS Professional Standards (PS) – MANDATORY
4. Five Valuation Technical and Performance Standards (VPS) – MANDATORY
5. Ten Global Practice Guidance – Applications (VPGAs) – ADVISORY
6. IVS 2017 (annex)

**Effective date : 1st July 2017 (same as IVS 2017)**

**Provides framework for VR**



# Professional Statement 1 & 2

- PS1 - Compliance with international standards and Professional Statements
- PS2 - Ethics, competency, objectivity and disclosures



# RICS global valuation practice guidance – applications (VPGAs) – advisory

- VPGA 1 – Valuation for inclusion in financial statements
- VPGA 2 – Valuation for secured lending
- VPGA 3 – Valuation of businesses and business interests
- VPGA 4 – Valuation of individual trade related properties
- VPGA 5 – Valuation of plant and equipment
- VPGA 6 – Valuation of intangible assets
- VPGA 7 – Valuation of personal property, including arts and antiques
- VPGA 8 – Valuation of real property interests
- VPGA 9 - Identification of portfolios, collections and groups of properties
- VPGA 10 - Matters that may give rise to material valuation uncertainty





# UK National Supplement – being updates

No contradiction: <http://www.rics.org/uk/knowledge/professional-guidance/red-book/red-book-uk/>

## Removal of duplication

- ▶ Professional Standards (mandatory)
  - ▶ UK PS 1 Compliance with valuation standards within the UK jurisdiction
- ▶ Valuation Technical and Performance Standards (mandatory)
  - ▶ UK VPS 1 Terms of engagement (scope of work) and reporting: “Red Book” compliance
  - ▶ UK VPS 2 Terms of engagement (scope of work) – supplementary provisions in Scotland
  - ▶ UK VPS 3 Regulated purpose valuations – supplementary requirements



# UK National Supplement

- ▶ Valuation Applications - guidance (advisory)
- ▶ Valuation for financial statements:
  - ▶ UK VPGA 1 – Valuation (“measurement”) of real property, plant and equipment for financial statements under UKGAAP
  - ▶ UK VPGA 2 - Valuation of real property, plant and equipment for financial statements – specific applications
  - ▶ UK VPGA 3 - Accounting for depreciation and associated apportionments for the purposes of financial statements prepared under UKGAAP [FRS 100-103 and IFRS: IAS 16 and IAS 36]
  - ▶ UK VPGA 4 - Valuation of local authority assets for accounting purposes

# UK National Supplement

- ▶ UK VPGA 5 - Valuation of charity assets for financial statements and other purposes.
- ▶ UK VPGA 6 - Relationship with auditors
- ▶ **Valuations for secured lending:**
  - ▶ UK VPGA 7 - Valuation for commercial secured lending purposes
  - ▶ UK VPGA 8 - Valuation for residential secured lending for mortgage purposes
  - ▶ UK VPGA 9 - Residential secured lending guidance for other related purposes including RICS Homebuyer Service
  - ▶ UK VPGA 10 - Valuation of registered social housing for loan security purposes



# UK National Supplement

- ▶ **Valuation for other purposes, where the public interest is involved**
- ▶ UK VPGA 11 - Valuations for capital gains tax, inheritance tax, stamp duty land tax and the annual tax on enveloped dwellings
- ▶ UK VPGA 12 - Valuations for compulsory purchase and statutory compensation
- ▶ UKVPGA 13 - Local authority disposal of land for less than best consideration
- ▶ UK VPGA 14 - Affordable rent and market rent under the Housing Acts in a regulatory context

# IFRS Changing Behaviour?

How will changes in IFRS change occupational behaviour?

- ▶ IFRS 16 - The new era of lease accounting
- ▶ IFRS 13– Fair Value
- ▶ IFRS 9 – Estimate losses
- ▶ IFRS 15 –Revenue from Contracts with Customers

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Thank you

