

INTERNATIONAL VALUATION STANDARDS COUNCIL

Date: 30 June 2016

Subject: INREV's response to IVSC's proposed Framework for
International Professional Standards

Dear Sir/Madam,

Please find attached INREV's response to IVSC's proposed "Framework for International Professional Standards", dated 31 March 2016.

We hope to provide a meaningful contribution to your work to support the development of a sound framework of professional standards for Valuation Professional Organisations and remain available should you have any specific questions about the non-listed real estate industry.

Kind regards,



Matthias Thomas
Chief Executive Officer
INREV

Attachment:

INREV's response to IVSC's proposed Framework for International Professional Standards

Submitted via email: commentletters@ivsc.org.

About INREV: the voice of the European non-listed real estate investment industry

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property vehicles industry across Europe.

INREV currently has 385 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds, as well as investment banks, fund managers, fund of funds managers and advisors representing all facets of investing into non-listed real estate vehicles in Europe.

Our fund manager members manage more than 500 European non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors. INREV's members represent almost all jurisdictions of the European Union's internal market and a range of underlying long-term investment vehicle structures, such as Joint Ventures, Club-Deals, Non-CIVs and other non-listed real estate investment vehicles, the vast majority of which are Alternative Investment Funds ("AIFs") subject to regulation under the European Alternative Investment Fund Directive ("AIFMD").

INREV executed a memorandum of understanding with NCREIF, PREA and ANREV for the purpose of collaboration on the development of global reporting standards for our industry. In the spirit of our ongoing collaboration efforts, we have reviewed each other's response to you on this exposure draft to ensure that our responses are not inconsistent, thereby challenging our ongoing efforts.

Comments regarding IVSC's proposed Framework for International Professional Standards

INREV welcomes the opportunity to comment on the recent IVSC's proposed Framework for International Professional Standards ("the Exposure Draft"). We are pleased that the IVSC seeks the view of the interested parties in the real estate industry in order to establish a high quality approach to the education, development, assessment and conduct of professional valuers across the globe.

The Exposure Draft proposes six International Professional Standards ("IPSs") for achieving and maintaining competence over the career of the professional valuer:

1. IPS 101: Initial Professional Development (IPD) – Entry Requirements to Professional Valuer Accreditation Programmes
2. IPS 102: Initial Professional Development – Professional Skills and Ethics
3. IPS 103: Initial Professional Development – Technical Knowledge
4. IPS 104: Initial Professional Development – Practical Experience
5. IPS 105: Initial Professional Development – Assessment of Professional Competence
6. IPS 201: Continuing Professional Development (CPD)

Based on these proposed IPSs, we believe that the Exposure Draft and the INREV Guidelines are not directly comparable but provide complementary information on principles and standards for property valuation professionals and their competency.

Framework

General

Please consider numbering this document in a manner consistent with the schematic developed in the other IPS documents.

1. Does the *Framework* provide sufficient detail on the educational concepts to support the requirements of the IPS 100 series?

Line 268 to 270 indicates “Each VPO that is a member of the IVSC will define the appropriate relationship between the end of IPD and the point of qualification for its members.” Further, the language about continuing education and measurement on lines 283 to 321 lay out general guidelines and measurements that appear to be reasonable for the requirements contained in the IPS 100 series. Please note however, that this language may be in conflict with IPS 201 which appears to be overly prescriptive on what continuing education should entail (see comments below).

5. Should professional valuers always be independent or does it depend upon the kind of service they are providing?

The Framework section of this document does not seem to address this question and the issue of independence is an important one. For example, which services would prevent or preclude a valuer from being independent? For example, are internal opinions independent? Does it need to be specified that valuers need to be independent when providing an external opinion? We believe that valuers need to be independent and unbiased when providing an opinion of value. Biased opinions of value are a great threat to all stakeholders and the framework should therefore be clear on how valuers can remain independent and unbiased.

IPS 102

General

Overall, we view this IPS 102 as more applicable to countries with a developing profession and/or those without a VPO. Accordingly, mandating adoption by member of the IVSC that already have their own guidance/qualifications/ethics seems less necessary. We would like to propose changing IPS 102 to a principles based document which establishes an ethical framework. More prescriptive (generally those which include items which are “required”) and detailed discussions could be more appropriate for an IVS, rather than the IPS. The answers to the questions provided below should be considered within this context.

In addition to answers to the specific questions noted below, please also note that paragraph 19, lines 79-80 contains the phrase “interact effectively with others”. We think this is an unnecessary statement.

1. Do you agree that IPS 102 captures the professional skills to be acquired by the end of Initial Professional Development (IPD) (para 9 of IPS 102)?

In our opinion, the “interpersonal and communication and personal” skills referenced herein cannot and should not be legislated.

4. Do the learning outcomes described in IPS 102 capture the behavioural characteristics expected of a professional valuer at the end of IPD (para 15 of IPS 102)?

We consider the following items identified in the table to be very prescriptive and the market, not a Standards organisation should determine the success of an individual’s professional skills. These include: “cultural and language differences”, “listening”, “time management”, “prescribed deadlines” and “planning, project organisation and project management”.

The Ethics section of the chart states: “...determines when ethical principles apply”, is not appropriate as ethics should always apply.

IPS 103

General

Please note that our review of this IPS 103 was focused specifically on the real estate area.

Pages 14-15 – The Valuation Approaches & Methods Competence Areas include Learning Outcomes for the market approach, the cost approach, and the income approach on page 14. Then four specific additional competence areas specific to the income approach are detailed on page 15, but no additional competence areas are included for the other two approaches. Could this presentation and level of detail specific to the income approach be misinterpreted as the income approach being considered the most reliable approach?

We noted the following apparent typographical errors:

- Page 12 – Valuations for Specialty Areas or Specialty Purposes – In the Learning Outcomes description, the term “specialty areas” is stated twice in the sentence. We suggest the second reference should be “specialty purposes”.
- Page 14 – Income Approach – Investment Method – Under footnote (a) should the term “property sales” be “property rentals”?
- Page 19-25 – Should the section be titled “Business and Business Interests” since Intangible Assets has its own section which follows on pages 26-34?

2. Do you agree with the level of detail in the learning outcomes of IPS 103? If so why, and if not, why not?

In our view, providing an appropriate level of detail within a principles based standard can prove challenging. The level of detail must strike a strong balance between enough detail to be informative but not too lengthy that it becomes too prescriptive or onerous to read. When too prescriptive, there is an increased chance of unintended contradictions to standards established within the VPOs.

3. In some learning outcomes examples are provided. Do you find these examples helpful in providing further explanation and clarification?

Yes, examples would be helpful in providing further clarification to the learning outcomes. The more examples that can be provided the better.

4. In addition to the current focus on asset classes, should the competence areas in IPS 103 also address industry (sector) specialty areas, and different valuation approaches?

Yes, having competence areas that address sector/valuation purpose would be beneficial and would increase the effectiveness of IPS 103. Each specific sector/valuation purpose has its own nuances that are important for valuation professionals to understand if they are going to practice in those areas.

6. Do you agree that all professional valuers, no matter what their specialty, need to undertake some form of accounting/finance/economics education? If not, why not? If so, why so?

Yes, it is important for professional valuers to have at least some base level of knowledge in accounting, finance, and economics. There are principles within these disciplines which are critical to understand to be able to prepare reliable and credible valuations.

IPS 104

1. Do you agree with the concept and role of the practical experience supervisor?

Yes, a supervisor is a necessary part of training. A supervisor provides the necessary quality check of the candidate's work experience. Work experience demonstrates the candidate's ability to apply knowledge and skills to select, organise, interpret, and present data and analyses over a

diverse range of product as well as use independent judgment. Furthermore, the Supervisor should be in good standing.

2. Do you agree with the threshold period of 1,500 hours in a supervised work environment should normally be a prerequisite for accreditation as a professional valuer?

We agree that a minimum threshold prerequisite for accreditation should be established, however, we contend that minimum thresholds should be established based on relevant proven experience rather than a quantity of hours, years, etc. The VPO's would then be allowed to assess what is most appropriate under their company specific standards.

IPS 201

General

We noted the following apparent typographical error [highlighted]:

243 • use of a competent source that is able to confirm that the outcome **nor** competence

1. Do you agree with the threshold level for continuing professional development of at least 120 hours of relevant professional development in each rolling three year period, of which 60 hours must be verifiable?

The requirement provided for is more stringent than that required by the RICS standards. As noted in our comments to IPS 104, we contend that the IPS principles should be based upon relevant proven experience rather than prescribing minimum thresholds. These minimum thresholds should be established by the VPO's. If this requirement stands, please clarify whether VPO's need to enforce the higher number of hours for their members. In addition, we would like to understand how the IVSC intends to monitor or enforce the standards for continuing professional development.

2. Do you agree that the professional valuer should complete at least 20 hours of relevant professional development annually?

Yes. This is consistent with other VPO's standards such as the RICS.

3. Should relevant professional development be expanded upon? Please explain what you would consider to be relevant professional development.

In our opinion, this topic was adequately covered in the IPS.