



## IVSC Investment Property Project

### Proposed amendments to IVS 230 and IVS 300

#### Response to Exposure Draft

We are pleased to set out below our response to the IVSC's exposure draft concerning the above subject.

#### **Introduction:**

The *Fédération française des experts en évaluation* (FFEE) is a professional association representing several other associations of valuers active in France, valuing a wide range of assets, including real estate, companies and financial instruments.

The aims of the association are:

- Representing French valuers at an international level, particularly as regards the IVSC;
- Promoting the use of IVS in general and by its members;
- Spreading best practice as recommended by IVSC;
- Liaison with the French authorities on questions involving valuation;
- Promoting the sharing of valuation experiences and skills between its members.

Our responses to the questions raised:

#### **A. Proposed changes to IVS 230**

##### **1. Is the use of special purpose companies to hold property interests common in your experience?**

Yes, this is a common phenomenon in France and it dates back to the period when property transfer duties were close to 20% of the net sales price. While duties were reduced in the late 1990s and now typically represent less than 7% of the net value, many commercial properties, in particular, are still held in SPVs.

##### **2. Do you consider that the changes described are adequate to address this issue?**

Yes.

However, for the sake of clarity we would suggest reformulating the first sentence of C32 as follows:

“Caution is required when either valuing a property interest which is held in a special purpose company or vehicle, or analysing a transaction involving such an interest.”

##### **3. Do you agree with the proposed change (Ground conditions)?**

Yes, we welcome this change as it clarifies the extent of the valuer's role and responsibilities.



**4. Do you agree with the new paragraph C8?**

Yes, this is important in order to avoid double-counting with other valuations of the intangible assets.

**5. Do you agree with the proposed new paragraph C9?**

Yes.

We would add that there are circumstances where it may be important to ensure that property valuations do not double count other items included elsewhere in an entity's accounts (not just superior and inferior property interests). This applies especially to specialised operations that might be valued with regard to their profit-generating capacity, such as exhibition/trade centres, self-storage, etc. It may be appropriate for valuers to check with the entity's accountants or auditors in order to avoid any double counting.

**6. Do you agree with the proposed new paragraph C11?**

Yes.

**7. Do you agree that the proposed new paragraph C20 adequately addresses this issue (of ensuring that comparables are truly comparable)?**

It may be useful to add the example of sales of SPVs, as evoked in the preamble to this question.

**8. Do you agree that the proposed new paragraph C30 provides the required clarity (as regards costs and taxes involved in the transaction)?**

It would be useful to be absolutely clear in the 2<sup>nd</sup> sentence, by saying something like "...only that the market value reported is the net price that would be agreed and paid to the vendor in the transaction..."

**9. Do you consider that an example would be helpful?**

Yes. It is essential for all parties to be clear on this and an example would help give this clarity.

## **B. Proposed changes to IVS 300**

**10. Do you agree with this amendment (deleting "the effect of" from para 11 of IVS 300) ?**

Yes.

**11. Do you agree with this change (to G5 as regards IFRS 13 and input hierarchies)?**

Yes.

**12. Do you agree with this change (introduction of paragraphs G18 – G24)?**

Yes.



**13. Do you consider that the proposed new section includes all matters that a valuer of investment property needs to know in order to produce a valuation suitable for inclusion in financial statements?**

Practical experience of valuing under IFRS 13 shows that auditors give special attention to:

- Identification of the unit of account / aggregation;
- Valuation inputs, ranges of value;
- Valuation inputs, IFRS 13 hierarchies;
- Confirmation (or otherwise) that properties have been valued according to their highest and best use.

While reference is made in G2 to valuing assets according to their highest and best use, it may be helpful to underline this point with a separate paragraph, perhaps with a cross-reference to paragraph 35 of the IVS framework.

Finally, there is as yet no real consistency of approach as regards the requirement in IFRS 13 to comment on the sensitivity of the reported values to changes in key inputs. In some cases entities treat this point by qualitative statements (as recommended by EPRA), whereas other entities require quantitative sensitivity analyses. Once there is greater clarity on this it may be appropriate to add a comment, depending on the outcome reached.