RED BOOK GLOBAL STANDARDS: PROPOSED ADDITIONS AND UPDATES FOR 2020

The material below is selectively extracted from *RICS Valuation – Global Standards 2017* (the Red Book Global Standards) showing proposed additions and updates to take effect from 31 January 2020 highlighted in yellow. Where necessary, explanatory notes have been inserted in blue in the text below, but it is not intended that these will form part of the Red Book. Sections of the Red Book not reproduced below will remain unaltered.

Title page

RICS Valuation – Global Standards

Incorporating the IVSC International Valuation Standards

Effective from 31 January 2020

……………………………………

Part 1: Introduction

……………………………….

IVSC International Valuation Standards

Effective date, duration and amendments to the International Valuation Standards

26 The International Valuation Standards reproduced with kind permission from IVSC in full in Part 6 are those approved by the IVSC Standards Board with an effective date of 31 January 2020.

……………………………………………….

28 The IVS are adopted and applied through these RICS global standards, being cross-referenced throughout Parts 3 to 5 for members' convenience.

Explanatory note:

Amendments to the IVS will be undertaken on a 'rolling basis' in future years, and so the notion of a specific 'edition' (e.g. IVS 2017) will disappear, hence the proposed amendments to paragraphs 26 and 28 above. For consistency, three further minor amendments will be needed, which are not shown in the Red Book extracts that follow:

- *An amendment – deleting the reference to 2017 – will be made in line 1 of the second paragraph of the introductory paragraphs to the RICS glossary of technical terms (Part 2 of the Red Book).*
- *In PS 1 section 3 paragraph 3.1 line 5 the text will be amended to read 'The IVS are reproduced in full in Part 6 of these global standards'.*

- *Similarly, an amendment will be made to the title page of Part 6 of the Red Book and to the first introductory paragraph so that it refers simply to the IVS rather than to IVS 2017. The effective date will also be amended to 31 January 2020.*

PS 1 Compliance with standards where a written valuation is provided

This mandatory standard:
- applies International Valuation Standard (IVS) 102 Section 10 General Principle (Compliance with IVS) and Section 40 Compliance with Other Standards
- recognises the International Ethics Standards and the International Property Measurement Standards
- specifies additional mandatory requirements for RICS *members.*

All *members*, whether practising individually or within an RICS-regulated or non-regulated firm, who provide a written *valuation* are required to comply with the international standards and RICS global standards set out below.

***Members* must also comply with the requirements of RICS Valuer Registration (VR).**

1 Mandatory application

1.1 All *members* and regulated *firms*, wherever practising, must comply with the professional, valuation technical and performance standards (designated by the prefixes **PS** and **VPS**) in Parts 3 and 4 of this global edition.

1.2 In accordance with RICS bye-law B5.2.1(b) Liability of Members and RICS bye-law B5.3.1 Liability of Firms, these global standards are therefore of mandatory application to any *member* of RICS or RICS-regulated *firm* involved in undertaking or supervising valuation services by the provision of written valuation advice. Together with the guidance relating to specific valuation practice guidance – applications (VPGAs) in Part 5 of this global edition, they are commonly referred to as the RICS 'Red Book'.

1.3 The phrase 'undertaking or supervising valuation services' includes any person who is responsible for, or accepts responsibility for, analysing and communicating a written opinion of value. This may include individuals who produce but do not sign valuation reports within their organisation, and conversely individuals who sign by way of supervision or assurance but do not produce valuation reports within their organisation. 'Written' for this purpose means conveyed by paper, by any electronic or digital means or form of recorded media (for purely oral opinions of value see paragraph 1.6 below).

Explanatory note:
Note that the running order of these last two sentences has been modified, in order to maintain the flow.

1.4 For the avoidance of doubt, the provision of an automated valuation model (AVM)-derived output, or one based on a valuation modelling tool (see **VPS 5 paragraph 4**), is regarded as the provision of a written *valuation* for the purpose of these standards.

1.5 An estimated replacement cost figure for assets other than *personal property* that is provided either within a written report or separately, for the purpose of insurance, is not a 'written opinion of value' for the purpose of 'undertaking valuation services' as defined in paragraph 1.3 above.

1.6 For the avoidance of doubt, where – exceptionally – valuation advice is provided wholly orally, the principles set out in this volume should still be observed to the fullest extent possible. *Members* are reminded that the mere fact that advice is provided orally does not mean that it is therefore provided without liability – the valuer's responsibilities and obligations will always depend on the facts and circumstances of the individual case. In some jurisdictions, the provision of oral valuation advice is in any event subject to jurisdiction-specific standards requirements. Furthermore, in all jurisdictions valuers acting as expert witnesses should be alert to the fact that both oral and written advice will be subject to the same criteria – see for example the RICS UK practice statement and guidance note, *Surveyors acting as expert witnesses*, 4th edition (2014).

1.7 These global standards have been written as they apply to the individual *member*. Where it is necessary to consider their application to a *firm* registered for regulation by RICS, they are to be interpreted accordingly.

....

PS 2 Ethics, competency, objectivity and disclosures

....

1. Professional and ethical standards

…………………………………………………………………

1.5 *Members* must at all times act with integrity and avoid any actions or situations that are inconsistent with their professional obligations. They must bring the required levels of independence and objectivity to bear on individual assignments, applying professional scepticism to information and data where it is to be relied on as evidence. *Members* must not allow conflicts of interest to override their professional or business judgement and obligations, and must not divulge confidential information. All members are bound by the RICS Rules of Conduct and must comply with the RICS professional statement, *Conflicts of interest*. More detail is available at www.rics.org/ethics.

……………………………………………………………..

VPS 1 Terms of engagement [scope of work]

....

d) Identification of the asset[s] or liability[ies] being valued

The subject asset or liability in the valuation assignment must be clearly identified, taking care to distinguish between an asset or liability and an interest in or right to use that asset or liability as the case may be.

……………………………………………………………

Implementation

…………………………………………………………

5. For further guidance on portfolios, collections and groups of properties, including the reporting format, see VPGA 9.

6 For non-financial liabilities, see IVS 220.

……………………………………………………………

VPS 3 Valuation reports

…………………………………………

2.2 Each report heading is considered in more detail below. The text in bold specifies the key principles. The accompanying text that follows specifies how the principles are to be interpreted and implemented in individual cases.

…………………………………………………………

l) Valuation approach and reasoning

To understand the valuation figure in context, the report must make reference to the approach or approaches adopted, the method(s) applied and key inputs used and the principal reasons for the conclusions reached.

Where the report is of the results of a valuation review it must state the reviewer's conclusions about the work under review, including supporting reasons.

This requirement does not apply if it has been specifically agreed and recorded in the *terms of engagement* (scope of work) that a report shall be provided without reasons or other supporting information.

Implementation

1 Where different valuation approaches and assumptions are required for different assets it is important that they are separately identified and reported.

2 For the distinction between approach and method see **VPS 5 paragraph 1**. The extent of description of these in individual assignments should be proportionate to the task, being focussed on assisting understanding by the client and other intended users. The supporting reasons, or rationale, for the conclusions reached should, where relevant, include an explanation of any deviation from common practice within the profession.

3 In the case of assets or liabilities that are interests in real estate, attention is drawn to **VPS 2 paragraph 1.5** and the fact that, wherever appropriate, the relevance and significance of sustainability and environmental matters may or will be an integral part of the valuation approach and reasoning.

…………………………………………………………………….

o) Commentary on any material uncertainty in relation to the valuation where it is essential to ensure clarity on the part of the valuation user

Implementation

…………………………………

4 Normally, *valuations* will not require additional explanation or clarification beyond the general requirement referred to in paragraph 3 above. However, in some cases there may be a greater degree of uncertainty concerning the valuation figure reported than usual, and where that uncertainty is material – which should be expressly signalled in the report – further proportionate commentary must be added in order to ensure that the report does not create a false impression.

…………………………………………………….

VPS 5 Valuation approaches and methods

This mandatory standard: • applies International Valuation Standard (IVS) 105 Valuation Approaches and Methods • addresses particular aspects of implementation that may arise in individual cases.

…………………………………………

Implementation

………………………………………..

4 Valuation methods may include a range of analytical tools or techniques as well as different forms of modelling, many of which involve advanced numerical and statistical practices. In general, the more advanced the method, the greater the degree of vigilance needed to ensure there is no internal inconsistency, for example, in relation to the *assumptions* adopted.

5 Further detail on the application of approaches and methods may be found in the *International Valuation Standards* at IVS 105, including the responsibilities of valuers in relation to valuation modelling. It must be emphasised that the valuer is ultimately responsible for selection of the approach(es) and method(s) to be used in individual valuation assignments, unless statute or other mandatory authority imposes a particular requirement.

……………………………………………………

Part 5: Valuation applications

Introduction

…………………………………………………………………….

Members are expressly reminded that the IVS include the following IVS Asset Standards, the full text of which is reproduced in Part 6 of these global standards:

- IVS 200 Businesses and Business Interests
- IVS 210 Intangible Assets
- IVS 220 Non-Financial Liabilities
- IVS 300 Plant and Equipment
- IVS 400 Real Property Interests
- IVS 410 Development Property
- IVS 500 Financial Instruments

VPGA 1: Valuation for inclusion in financial statements

This guidance is advisory and not mandatory in content. Where appropriate, however, it alerts *members* to relevant mandatory material contained elsewhere in these global standards, including the *International Valuation Standards*, using cross-references in bold type. These cross-references are for the assistance of members and do not alter the status of the material that follows below. *Members* are reminded that:

- this guidance cannot cover every circumstance, and they must always have regard to the facts and circumstances of individual assignments when forming valuation judgements
- they should remain alert to the fact that individual jurisdictions may have specific requirements that are not covered by this guidance.

1 Scope

1.1 The guidance below provides additional commentary on the valuation of property, assets and liabilities for inclusion in financial statements.

1.2 *Valuations* for inclusion in *financial statements* require particular care as they must comply strictly with the applicable financial reporting standards adopted by the entity. Valuers are strongly advised to clarify at the outset which standards their clients have adopted.

1.3 Although the International Financial Reporting Standards (IFRS) are nowadays widely adopted, other financial reporting standards may still apply in individual jurisdictions.

1.4 In all cases, valuers are reminded that both IFRS and non-IFRS financial reporting standards continue to evolve – they should always refer to the standards current at the date to which the *financial statements* relate.

2 Valuations under International Financial Reporting Standards (IFRS)

2.1 Where the entity has adopted IFRS the *basis of value* will be *fair value* (see also **VPS 4 section 7**) and IFRS 13 Fair Value Measurement will apply. It is essential that the valuer is familiar with IFRS 13 requirements, especially the disclosure requirements. IFRS 13 may be obtained from www.ifrs.org.

3 Valuations of public sector assets under International Public Sector Accounting Standards (IPSAS)

3.1 Where public sector assets fall to be included in *financial statements* complying with IPSAS, care must be taken to refer to the version of the standards applicable at the financial reporting date, which can be accessed at www.ifac.org/public-sector

4 Other cases

4.1 Legislative, regulatory, accounting or jurisdictional requirements may require the modification of this application in some countries/states or under certain conditions.

5 Performance standards

5.1 Financial statements, whether drawn up under IFRS or otherwise, have to be prepared with appropriate rigour, and this applies equally to valuations of assets (or liabilities) in support of them. Subject to the particular statutory, regulatory or other authoritative requirements (see **PS 1 section 4**) applicable to the particular valuation assignment within the jurisdiction concerned, it is recommended that the following practices are observed (note that in some jurisdictions such practices may form part of a mandatory performance framework). Where such practices contain elements that are mandatory for RICS *members* and *firms*, the appropriate cross-references are included.

- ***Professionalism and professional competence***

5.2 The mandatory general requirements regarding ethical standards (**PS 2 section 1**), member qualification and professional competence (**PS 2 section 2**) apply with equal force here, as do the requirements to provide assurance concerning competence both when establishing the *terms of engagement* (**VPS 1 section 3**) and when reporting the valuation opinion (**VPS 3 section 2**).

5.3 Bringing professional scepticism to bear on the valuation assignment is also essential (see **PS 2 section 1 paragraph 1.5** and **VPS 2 section 1 paragraph 1.2**), it being particularly important in the context of *financial statements* to be able to demonstrate freedom from bias.

5.4 Where the *member* does not have the required level of expertise to deal with some aspects of the valuation assignment properly, then he or she may – with the client's approval wherever necessary or appropriate – draw on the expertise of others (see **PS 2 section 2 paragraphs 2.4 to 2.7**).

5.5 Where a sub-contractor is used to assist with the valuation assignment, the *member* or *firm* will need to be satisfied that the requirements of **PS 1** can be met (see **PS 2 section 2 paragraph 2.7**). It is important to document and make clear in the valuation report the level of responsibility being assumed by each party to the sub-contract.

5.6 To the extent that the *member* with overall responsibility for the valuation assignment cannot or does not assume responsibility for any specialist input, it is important that the sub-contractor's report (and any associated working papers supplied) is retained with the *member*'s working papers, and that it can, as necessary, be demonstrated that the sub-contractor is content with the form in which its opinion or advice will be incorporated or reproduced in the *member*'s report (see also **VPS 3 section 2 k) paragraph 5**).

- Terms of engagement

5.7 It is especially important in the context of financial reporting that there are *terms of engagement* which are clear (**PS 2 section 7)**, leaving no areas of doubt as to what the *member* undertakes to do, however comprehensive or otherwise the valuation assignment will be, including the manner in which the valuation opinion will be reproduced (see **VPS 3 section 2 j) paragraphs 2 to 14**). *Members* are reminded that any changes to the scope of work that are subsequently agreed or necessitated are to be brought to the client's attention and appropriately documented prior to the issue of the valuation report (see **VPS 1 section 1 paragraph 1.6**).

5.8 In addition to the comprehensive list of matters set out in **VPS 1**, it is important to ensure that the responsibilities of the client, insofar as they impact on the fulfilment of the valuation assignment and on the valuation opinion, are set out clearly – this will include, but is not necessarily confined to, specifying the nature of the information which the client agrees to supply. It is also expected that the *terms of engagement* would be specific in relation to the timescale within which the report will be produced and issued.

- Sources and verification of information

5.9 VPS 1 section 3 j) and **VPS 3 section 2 h)** address the nature and source of the information and data to be relied on.

5.10 Source documents may include information and data supplied by the entity, and may extend to financial information from sources other than its audited financial statements. It may also include information prepared by third-party advisers or specialists retained by the entity. In all cases information provided by or through the reporting entity's management should be considered just as objectively as information from other sources, professional scepticism being applied when forming a view on its credibility (see **VPS 2 section 1 paragraph 1.8**). See also **PS 2 section 3 paragraphs 3.11 to 3.15** if discussions about information are held with the client, or any other form of management interview is undertaken.

- ***Documentation***

5.11 Particular care is needed over the documentation, including both source and analysis documents and any other relevant papers or records – such as notes of inspections and investigations (**see VPS 2 section 3**) – used to derive and support a valuation opinion. This is because of the reliance to be placed by the reporting entity's management on the valuation opinion when producing the *financial statements* for which they are responsible, which must properly satisfy statutory, regulatory and auditing requirements. *Members'* attention is expressly drawn to **PS 2 section 5.1** where the public has an interest and **PS 2 section 5.2** (in particular **paragraph 5.2.2**) where third-party reliance may or does arise.

- Reports

5.12 It is essential that valuation reports provided in support of *financial statements* should 'clearly and accurately set out the conclusions of the valuation in a manner that is neither ambiguous or misleading, and which does not create a false impression' – see **VPS 3**, which sets out a comprehensive list of mandatory requirements designed to fulfil this objective. The following paragraphs provide additional guidance on certain aspects in the specific context of *financial statements*.

5.13 The extent of description of the valuation approach(es) adopted and method(s) used should always be proportionate to the task (see **VPS 3 section l) paragraph 2**) as should the description of the reasoning, but in the particular context of valuation for financial reporting, the presumption is towards a fuller description in order to assist understanding by the client and other intended users. It helps ensure that management decisions concerning the coverage and content of the *financial statement* in relation to the assets (or liabilities) concerned are properly informed and that the entity's management can in turn report in a way that is neither ambiguous or misleading.

5.14 *Members* should be particularly alert in relation to information or data that appears to provide contrary evidence to the valuation opinion reached and should ensure that adequate explanation of how this was considered is included in the valuation report.

5.15 While **VPS 1** and **VPS 3** refer to *valuation date* and amount of the *valuation*, as those italicised terms are defined in the RICS glossary, *members* may find that clients refer to the 'measurement date' and 'measurement' amount, as used in accounting standards. As noted in IVS 104 Paragraph 10.1, *basis of value* may sometimes be termed 'standard of value' by clients.

5.16 If any subsequent events are referred to in the report (see **VPS 3 section 2 m) paragraph 7**), the relevant date should normally be provided.

……………………………………………………………………

VPGA 7 Valuation of personal property, including arts and antiques

This guidance is advisory and not mandatory in content. Where appropriate, however, it alerts members to relevant mandatory material contained elsewhere in these global standards, including the International Valuation Standards, using cross-references in bold type. These cross-references are for the assistance of members and do not alter the status of the material that follows below. Members are reminded that:

- this guidance cannot cover every circumstance, and they must always have regard to the facts and circumstances of individual assignments when forming valuation judgements
- they should remain alert to the fact that individual jurisdictions may have specific requirements that are not covered by this guidance.

1 Introduction and scope

1.1 This guidance provides additional commentary on the application of the International Valuation Standards and VPS 1–5 to 'personal property', being those assets (or liabilities) specified in 1.2 below.

1.2 For the purpose of this VPGA, 'personal property' means assets (or liabilities) not permanently attached to land or buildings:

- **including**, but not limited to, fine and decorative arts, antiques, paintings, gems and jewellery, collectables, fixtures and furnishings, and other general contents

- **excluding** trade fixtures and fittings, plant and equipment, businesses or business interests, or intangible assets.

Valuations of *personal property* may arise in many different contexts and for a variety of purposes that may include, but are not restricted to, the following:

- insurance coverage
- damage or loss due to fire, water or other reason
- taxation (charitable contribution, gift tax, estate tax, casualty loss)
- financial reporting
- business transactions
- litigation, including claims of fraud
- estate planning, equitable distribution, and probate
- pre-nuptial agreements
- dissolution of marriage
- dissolution of business
- advice on the acquisition or disposition of property for investment or personal consumption
- loan collateral
- bankruptcy
- inventory *valuation*.

1.3 This list is not definitive, as national or regional variations may exist. Statutory requirements within a given jurisdiction will take precedence. This may especially be the case where valuations are prepared for the assessment of tax liabilities, including probate or for accounting purposes.

1.4 It is essential to be clear about the purpose of the *valuation*, which will often dictate the particular *basis of value* to be used. See **VPS 1**.

2 Terms of engagement

2.1 To properly define the valuation assignment and, as well, the valuer's responsibilities, the valuer should identify the client and any others who might rely on the *valuation* (i.e. the intended users) to ensure that the *valuation* is both meaningful to them and not misleading.

2.2 The *terms of engagement*, including the minimum terms set out in **VPS 1**, will generally be agreed between the valuer and the client prior to the commencement of the valuation engagement. When it is necessary to commence work prior to the *terms of engagement* being fully documented, all matters concerning those terms must be brought to the client's attention and documented before the report is issued (see **VPS 1**).

2.3 When agreeing the *terms of engagement*, the valuer should advise the client of the possible effect on value of any other relevant matters (for example, the provenance of the object, or the impact of a group of objects being valued as a collection, rather than individually). Not to do so could be misleading, in breach of **VPS 3**.

3 Identifying the market

3.1 *Valuations* are based on an understanding of the market in which the *valuation* takes place. Valuers should assess the nature and state of the market that provides the context for their investigations and value conclusions. Considerations that the valuer should take into account include the level of activity, confidence and trends. Valuers should also consider the legal and regulatory position pertaining to the subject property and any proposals that could influence the behaviour of market participants.

3.2 *Personal property* valuers should recognise that there are different markets within which a particular asset may be traded and that each may generate its own sales data. In particular, an asset may have a different value at the wholesale level of trade, the retail level of trade, or when trading at auction. The valuer should identify and analyse the relevant market consistent with the asset being valued and the purpose of the *valuation* undertaken. It should be recognised that valuations undertaken for the purpose of advising on a sale between businesses that trade in a particular form of asset may differ from that between a business and an individual.

3.3 In identifying the market, *personal property* valuers should be aware that the method of sale could affect the resultant sale price. For example, online auctions and other forms of e-commerce have loosened many transactional constraints, expanding the pool of potential purchasers for some types of items. However, valuers should be aware that the quality of information and matters such as commissions and costs of sale associated with some online platforms, where these are not associated with offline sales, can render the sales data unreliable as a source of comparable evidence.

3.4 In *personal property*, groups of assets are often held as collections which, if divided, may be worth significantly more or less per item than when held collectively. The valuer will need to assess whether holding assets collectively has any impact on their *valuation*, and advise accordingly.

4 Inspection, research and analysis

4.1 Valuers of *personal property* should collect, verify and analyse pertinent sales data; analyse pertinent economic and market conditions; and consider any additional related information necessary to generate realistic value conclusions. **VPS 2** sets out the requirements for conducting investigations.

4.2 *Personal property* valuers should always be aware that the degree of reliability of previous sales data may be limited and should always assess the reliability of data used to support the analysis. They should document the sources of information used in the analysis. As noted in paragraph 3.3 above, valuers should take particular care when using information obtained from online platforms and internet sources.

4.3 Any limitations or conditions that impede the inspection, research, and/or analysis should be taken into account by the valuer. If there are such limitations the valuer may need to make *assumptions/special assumptions*. **VPS 4** sets out the requirements relating to *assumptions* and *special assumptions*. Any *assumption*s must be discussed and agreed with the client prior to the conclusion of the valuation and clearly documented in both the *terms of engagement* and the report.

4.4 The valuer should consider economic and market data, such as supply and demand in the marketplace and market movements. When there is a degree of uncertainty with respect to the information used, or the state of the market, the valuer should refer to **VPS 3**.

4.5 It is the responsibility of the valuer to ensure that they have undertaken an appropriate level of due diligence in relation to establishing the provenance of the item to be valued, as this may have a very significant impact on value. Establishing provenance, in addition to expert knowledge in the field, may involve archival research and/or forensic examination. Where provenance is in doubt, the valuer should consult with the client to establish the level of investigation that should be undertaken and any implication this may have in respect of fees or third-party work to be undertaken before a valuation can be provided.

4.6 When the valuer is required to consult with specialists/professionals the valuer should (to the extent necessary for the purpose of the *valuation*), ensure that the specialist or professional is appropriately qualified to provide advice and that the services are carried out competently.

5 Valuation

Valuation approaches and applications

5.1 The three approaches to arriving at *market value* (as defined at IVS 104 paragraph 30.1) for personal property are:

- the sales comparison approach
- the *cost approach* and
- the *income approach*.

5.1.1 The sales comparison approach

This provides an indication of value by comparing the subject asset to similar assets for which sales data are available. This approach is the most commonly used in the *valuation* of *personal property*. When applying this approach, the valuer should be careful in the analysis of the appropriate comparable sales data, in accordance with section 4 above. Where it is possible to assess the value by reference to comparables, it is normally the preferred approach.

5.1.2 The cost approach

This provides an indication of value based on the estimated current costs to reproduce or create a property of equal quality, utility, and marketability. This approach includes replacement with a copy or replacement produced by other means such as a facsimile. A copy is a generic term used when the original item is reproduced as near as possible to the original in terms of nature, quality, use and age of materials and production technique. Where the copy is produced by the original artist, it is termed a replica. A facsimile is an exact copy of the original item, created with materials of a closely similar nature, quality and age, using techniques of or fabrication methods of the original period. All these approaches (i.e. copy, replica or facsimile) are usually only adopted for insurance purposes where it is not practicable to establish a value using another method. When applying the *cost approach*, the valuer should analyse pertinent and appropriate cost data to estimate the cost of replacement. The valuer should be aware that the nature of reproduction (copy, replica or facsimile) will have a significant bearing on the resultant value and adjust their valuation accordingly.

5.1.3 The income approach

This provides an indication of value by calculating the anticipated monetary benefits (such as a stream of income) for the subject asset. When applying this approach, the valuer should analyse pertinent and appropriate data to reliably estimate the income in the relevant marketplace of the property. Valuers should base projections of anticipated monetary benefits on an analysis of past and current data, trends and competitive factors. Although instances do arise where assets are leased by the owner to another party, nevertheless in most cases artwork, antiques and personal property assets are not 'income producing' and so are unlikely to be valued using the investment method. However, in some cases, especially when they are placed within the context of an 'income-producing asset', such as an historic real estate, their presence may add to the value of the overall holding and should be considered.

5.1.4 In all approaches, the valuer should use prudent and well-informed judgement to synthesise the data collected and the analysis thereof into a logical value conclusion.

5.1.5 All valuation conclusions should be reasonably based and clearly supported by appropriate evidence including that related to provenance. If more than one valuation approach has been used in the analysis, the valuer should include both and then reconcile the results.

5.1.6 RICS does not prescribe the method(s) that a valuer should use. However, the valuer should be prepared to justify the rationale for the approach and method adopted.

Other valuation considerations

5.2 In addition to the requirements of **VPS 3**, the valuer's research and analysis should consider:

- the extent of the information that should be communicated to the client and other intended users. The valuer should take account of the fact that the valuation knowledge of clients will vary and should communicate information that can be understood by all intended users of the report
- the interest to be valued (there may be situations in which the interest in *personal property* to be valued is shared with others, and in such cases, it should be clearly specified)

- the characteristics required to establish the identity of the property (including, but not limited to, artist or maker, material or medium, size, title, origin, style, age, provenance or history, condition, forensic examination, exhibition history, and citations in the literature)
- the *basis of value* to be adopted (for example, *market value*, replacement value, etc.) and the source of the definition for that value
- any special assignment conditions and/or regulatory/statutory requirements
- restrictions, encumbrances, leases, covenants, contracts, or any other such considerations that may affect the *valuation* or ownership of the *personal property* to be valued
- the degree to which third-party information can be verified and relied on
- the relationship of the object to any real property or *intangible assets* that may affect the *valuation* of the property
- the importance of individual assets in an instruction that includes multiple objects with a wide range of values
- analysis of prior sales of the property being valued, if relevant
- the degree to which the current market conditions and the economy affect the level of certainty of the valuation conclusion.

6 Reports

6.1 It is the responsibility of the valuer to ensure that the valuation report is clear and accurate, and that no element of it is ambiguous or misleading. It should be prepared with independence, integrity and objectivity (see **PS 2**).

6.2 The valuer should comply with the minimum requirements listed in **VPS 3**, and incorporate all the valuation considerations listed in paragraph 5.2 above (Other valuation considerations). Additionally, when the valuer has consulted a specialist or professional individual or firm in the process of preparing the *valuation*, the sources and credentials should in each instance be identified and the nature of the input acknowledged (see paragraph 4.6 above).

6.3 The level of detail provided in the valuation report should adequately address the needs of the client and the intended user(s), the nature of the property, and the intended use of the *valuation*. The terminology used in the report should be capable of being understood by all intended users.

6.4 The valuer should state any limitations or conditions regarding inspection, research or analysis and explain any effect on the valuer's conclusions.

6.5 The purpose of the *valuation* (for example, equitable distribution), the *basis of value* (for example, *market value*), and the market in which the (notional or actual) transaction is presumed to take place (for example, auction) should be set out clearly within the report.

6.6 The valuer should report, if necessary, that the conclusion complies with any special requirements of the client, regulatory rules or pertinent laws.

6.7 The valuer should summarise the research conducted and the data used in the analysis. The valuer should state the valuation approach(es) used (i.e. comparison, cost or income) as well as the rationale for choosing it (them). The valuer should also state why other approaches were considered but rejected. If multiple approaches were used in the analysis, these should be detailed in the report and a reconciliation of the results should be included.

6.8 When arriving at a *valuation* based on any *assumption* or *special assumptions* (such as when an aggregated value is being determined) – see **VPS 4 section 8 and section 9** – these should be specifically stated together with the effect on value, if any, of the *assumption(s)/special assumption(s)*. In particular, where the valuer has been unable to fully establish provenance with full certainty, this should be reported, together with any assumptions that have been made.

6.9 The valuer should comment on any issues affecting the certainty of the *valuation*. The extent of the commentary will vary, depending on the purpose of the *valuation* and the knowledge of the user.

6.10 Photographs should be appropriate and used as required by the assignment. If any alterations were made to the photographs, these should be noted.

VPGA 8 Valuation of real property interests

…………………………………………………….

2.6 Environmental matters

……………………………………………………

c) Sustainability – assessing the implications for value

(i) While not a term that yet has a universally recognised definition (see the RICS glossary in Part 2), in a valuation context *sustainability* encompasses a wide range of physical, social, environmental and economic factors that can affect value and of which valuers should be aware.

(ii) The range of issues includes, but is not limited to, key environmental risks such as flooding, energy efficiency and climate, current and historic land use as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. As commercial markets in particular become more sensitised to *sustainability* matters, so they may begin to complement traditional value drivers, both in terms of occupier preferences and in terms of purchaser behaviour.

(iii) The pace at which *sustainability* is feeding directly or indirectly into value is showing some wide jurisdictional variations. In order to respond appropriately as markets change, valuers should continuously seek to enhance their knowledge. The role of valuers is to assess value in the light of evidence normally obtained through analysis of comparable transactions. While valuers should reflect markets, not lead them, they should be aware of *sustainability* features and the implications these could have on property values in the short, medium and longer term. The issues may extend to:

- environmental matters (see above) including, where applicable, climate change and resilience to climate change
- configuration and design including use of materials and concepts increasingly associated with ‘wellness’
- accessibility and adaptability, including access and use by those with disabilities
- energy efficiency, building ‘intelligence’ and other ‘costs in use’
- fiscal considerations.

(iv) Notwithstanding its current bearing on value, within the context of their instructions valuers are actively encouraged to identify and collect *sustainability*-related data, as and when it becomes available, for future comparability.

(v) Only where existing market evidence would support this, or where in the valuer’s judgement market participants would expressly reflect such matters in their bids, should *sustainability* characteristics directly influence value(s) reported.