General Valuation Concepts and Principles

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International Valuation Standards Committee
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General Valuation Concepts and Principles

1.0 Introduction

1.1 The experience of Professional Property Valuers and dialogue among nations through the International Valuation Standards Committee (IVSC) have demonstrated that, with few exceptions, there is common worldwide agreement regarding fundamentals that underpin the valuation discipline. Local laws and economic circumstances may, on occasion, require special (and sometimes limited) applications, but fundamentals of valuation methods and techniques are generally similar throughout the world. It is an objective of the International Valuation Standards Committee to avow and promote these fundamentals.

1.2 IVSC’s Standards, Applications, and Guidance Notes (GNs) are based on these fundamentals, but it is the position of the Committee that it is inappropriate to attempt to articulate all appropriate fundamentals within the body of each Standard. Instead, this section supplements each Standard and provides an overview of fundamentals that are particularly important to understanding the valuation profession and to applying the Standards.

2.0 Land and Property Concepts

2.1 Land is essential to our lives and our existence. Its importance brings land into focus for consideration by lawyers, geographers, sociologists, and economists. As each of these disciplines relates to land and to uses of land, the societies and nations of our world are affected.

2.2 Valuation of land as if vacant or of land and improvements to or on the land, is an economic concept. Whether vacant or improved, land is also referred to as real estate. Value is created by real estate’s utility, or capacity to satisfy the needs and wants of human societies. Contributing to value are real estate’s general uniqueness, durability, fixity of location, relatively limited supply, and the specific utility of a given site.
2.3 Property is a legal concept encompassing all the interests, rights, and benefits related to ownership. Property consists of the rights of ownership, which entitle the owner to a specific interest or interests in what is owned. To distinguish between real estate, which is a physical entity, and its ownership, which is a legal concept, the ownership of real estate is called real property. The combination of rights associated with the ownership of real property is, in some States, referred to as the bundle of rights. The bundle-of-rights concept likens property ownership to a bundle of sticks with each stick representing a distinct and separate right of the property owner, e.g., the right to use, to sell, to lease, to give away, or to choose to exercise all or none of these rights.

2.4 Ownership of an interest in items other than real estate is referred to as personal property. The word property, used without further qualification or identification, may refer to real property, personal property, or other types of property such as businesses and financial interests, or a combination thereof. (See Section 3 below and Property Types.)

2.5 Property Valuers, Asset Valuers, and Appraisers are those who deal with the special discipline of economics associated with preparing and reporting valuations. As professionals, Valuers must meet rigorous tests of education, training, competence, and demonstrated skills. They must also exhibit and maintain a Code of Conduct (ethics and competency) and Standards of professional practice and follow Generally Accepted Valuation Principles (GAVP).

2.6 Price changes over time result from specific and general effects of economic and social forces. General forces may cause changes in price levels and in the relative purchasing power of money. Operating on their own momentum, specific forces such as technological change may generate shifts in supply and demand, and can create significant price changes.

2.7 Many recognised principles are applied in valuing real estate. They include the principles of supply and demand; competition; substitution; anticipation, or expectation; change; and others. Common to all these principles is their direct or indirect effect on the degree of utility and productivity of a property. Consequently, it may be stated that the utility of real estate reflects the combined influence of all market forces that come to bear upon the value of property.
3.0 Real Estate, Property, and Asset Concepts

3.1 Real estate is defined as the physical land and those human-made items which attach to the land. It is the physical, tangible “thing” which can be seen and touched, together with all additions on, above, or below the ground. Local laws within each State prescribe the basis for distinguishing real estate from personal property. Although these legal concepts may not be recognised in all States, they are adopted here to distinguish important terms and concepts.

3.2 Real property includes all the rights, interests, and benefits related to the ownership of real estate. An interest or interests in real property is normally demonstrated by some evidence of ownership (e.g., a title deed) separate from the physical real estate. Real property is a non-physical concept.

3.3 Personal property includes interests in tangible and intangible items which are not real estate. Items of tangible personal property are not permanently affixed to real estate and are generally characterized by their moveability.

3.4 In accounting terminology, assets are resources controlled by an enterprise as a result of past events and from which some future economic benefits are expected to flow to the enterprise. Ownership of an asset is itself an intangible. However, the asset owned may be either tangible or intangible.

3.4.1 The future economic benefits embodied in an asset may flow to the enterprise in a number of ways, e.g., through its use either singly or in combination with other assets to produce goods or services to be sold by the enterprise, through its exchange for other assets, through its use to settle a liability, or through distribution to the owners of the enterprise (International Accounting Standards [IAS], F55).

3.4.2 An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the enterprise and the asset has a cost or value that can be reliably measured (IAS, F89).
3.5 International Accounting Standards for financial reporting distinguish among tangible and intangible assets. Of particular importance are the following terms and concepts:

3.5.1 *Current assets.* Assets not intended for use on a continuing basis in the activities of an enterprise. Examples include stocks, obligations owed to the enterprise, short-term investments, and cash in bank and in hand. In certain circumstances real estate, normally treated as a fixed asset, may be treated as a current asset. Examples include land or improved real estate held in inventory for sale.

3.5.2 *Non-current assets (fixed, or long-term, assets).* These are tangible and intangible assets which fall into the following two broad categories:

3.5.2.1 *Property, plant, and equipment.* Assets intended for use on a continuing basis in the activities of an enterprise including land and buildings; plant and equipment; and other categories of assets, suitably identified; less accumulated depreciation. Property, plant, and equipment are tangible, or physical, assets.

3.5.2.2 *Other non-current assets.* Assets not intended for use on a continuing basis in the activities of an enterprise, but expected to be held in long-term ownership including long-term investments; long-term receivables; goodwill; expenditures carried forward; and patents, trademarks, and similar assets. This asset category includes both tangible, or physical, assets and intangible, or non-physical, assets. *Intangible assets* are considered items of intangible personal property, and may include management and marketing skill, credit rating, goodwill, and various legal rights or instruments (patents, trademarks, copyrights, franchises, and contracts).

3.5.3 Where either historic or current cost accounting conventions are upheld, a distinction is drawn between operational and investment assets. Operational assets are considered requisite
to the operations of the going concern or corporation. Investment assets that are owned by a corporation are considered extraneous to the operational requirements of the corporate owner.

3.6 Accounting terminology differs somewhat from terms more common to Valuers. Within the classifications discussed in para. 3, Valuers are principally involved with fixed assets. Technically it is the ownership of the asset, or the right of ownership, that is valued rather than the tangible or intangible asset itself. This concept distinguishes the economic concept of valuing an asset objectively based upon its ability to be purchased and sold in a marketplace from some subjective concept such as assuming an intrinsic or other non-Market Value basis. The objective market concept does, however, have special applications for limited or non-market property valuation as discussed in International Valuation Standard 2.

3.7 The term depreciation is used in valuation and in accounting, and can lead to confusion. To avoid misunderstanding, Valuers may use either the term depreciation or the term accrued depreciation in Reproduction or Replacement Cost methods to refer to any loss in value from the estimate of total cost new. Such losses may be categorised as attributable to physical deterioration, functional (technical) obsolescence, or economic (external) obsolescence. The term accruals for depreciation denotes allowances made by accountants as offsets to the original cost of assets under the historical cost convention of some States, regardless of the basis for such allowances. Importantly to Valuers, accrued depreciation is a function of the market. Accruals for depreciation are a function of an accounting convention and do not necessarily reflect the market.

4.0 Price, Cost, Market, and Value

4.1 Imprecision of language, particularly in an international community, can and does lead to misinterpretations and misunderstandings. This is particularly a problem where words commonly used in a language also have specific meanings within a given discipline. That is the case with the terms price, cost, market, and value as they are used in the valuation discipline.
4.2 *Price* is a term used for the amount asked, offered, or paid for a good or service. Sale price is an historical fact, whether it is publicly disclosed or kept confidential. Because of the financial capabilities, motivations, or special interests of a given buyer and/or seller, the price paid for goods or services may or may not have any relation to the value which might be ascribed to the goods or services by others. Price is, however, generally an indication of a relative value placed upon the goods or services by the particular buyer and/or seller under particular circumstances.

4.3 *Cost* is the price paid for goods or services or the amount required to create or produce the good or service. When that good or service has been completed, its cost is an historical fact. The price paid for a good or service becomes its cost to the buyer.

4.4 A *market* is the environment in which goods and services trade between buyers and sellers through a price mechanism. The concept of a market implies that goods and/or services may be traded among buyers and sellers without undue restriction on their activities. Each party will respond to supply-demand relationships and other price-setting factors as well as to the party’s own capacities and knowledge, understanding of the relative utility of the goods and/or services, and individual needs and desires. A market can be local, regional, national, or international.

4.5 *Value* is an economic concept referring to the price most likely to be concluded by the buyers and sellers of a good or service that is available for purchase. Value is not a fact, but an estimate of the likely price to be paid for goods and services at a given time in accordance with a particular definition of value. The economic concept of value reflects a market’s view of the benefits that accrue to one who owns the goods or receives the services as of the effective date of valuation.

4.6 There are many types and associated definitions of value (for examples see IVSC Standard 2). Some defined values are commonly used in valuations. Others are used in special situations under carefully identified and disclosed circumstances. It is of paramount importance to the use and understanding of valuations that the type and definition of value be clearly disclosed, and that they be appropriate to the particular valuation assignment. A change in the definition of
value can have material effect on the values that would be assigned to properties.

4.7 Professional Valuers, who possess intimate knowledge of a property market; understand the interaction of participants in the market; and are, thereby, able to judge the most likely prices to be concluded between buyers and sellers of property in that market avoid the unqualified term value by preceding the term with some adjective describing the particular type of value involved. *Market Value* or in some States *Open Market Value* is the most common type of value associated with property valuations and is discussed in International Valuation Standard 1. Although common usage possibly dictates an understanding that *Market Value* is intended in the absence of a statement to the contrary, it is especially important that *Market Value*, or whichever basis of value is used, be clearly identified and defined in each such assignment.

4.8 The value concept contemplates a monetary sum associated with a transaction. However, sale of the property valued is not a condition requisite to estimating the price for which property should sell if it were sold on the date of valuation under conditions prescribed in the definition of *Market Value*.

4.9 The *Market Value* of real estate is a representation of its market-recognised utility rather than its purely physical status. The utility of assets to a given enterprise or individual may differ from that which would be recognised by the market or by a particular industry. Therefore, it is necessary that asset valuation and reporting for accounting, under the convention, which reflects the effects of changing prices, distinguish between values recognised in the market, which should be reflected in financial reporting, and non-market types of values. *Depreciated Replacement Cost* (DRC) as defined in International Valuation Standard 2 and as applied to specialised properties, can be considered an acceptable method used to arrive at a surrogate for *Market Value*.

4.9.1 Considerations similar to those expressed above are applied to the valuation of property other than real estate. Except where DRC is appropriately applied, financial reporting will require application of *Market Value* methods and a clear distinction between such methods and *Non-Market Value* methods.
4.10 The total cost of a property includes all direct and indirect costs of its production. If supplemental capital costs are incurred by a purchaser subsequent to acquisition, they will be added to the historical acquisition cost for cost accounting purposes. Depending upon how the utility of such costs is perceived by the market, they may or may not be fully reflected in the property’s Market Value.

4.11 A cost estimate for a property may be based on either an estimate of reproduction cost or replacement cost. Reproduction cost is the cost to create a virtual replica of the existing structure, employing the same design and similar building materials. A replacement cost estimate envisions constructing a structure of comparable utility, employing the design and materials that are currently used in the market. (In some States, the term modern equivalent asset is used to describe a structure whose cost is estimated on a replacement basis.)

5.0 Market Value

5.1 The concept of Market Value reflects the collective perceptions and actions of a market and is the basis for valuing most resources in market-based economies. Although precise definitions may vary, the Market Value concept is commonly understood and applied.

5.2 Market Value is defined as:

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

5.3 It is important to stress that the professionally derived Market Value estimate is an objective valuation of identified ownership rights to specific property as of a given date. Implicit within this definition is the concept of a general market comprising the activity and motivation of many participants rather than the preconceived view or vested interest of a particular individual. Market Value is a market-supported estimate developed in accordance with these Standards.
5.4 Real property is distinguished from most goods and services because of the relatively longer period required to market what is a relatively illiquid commodity in order to achieve a price that represents its Market Value. This characteristically longer exposure time, the absence of a 'spot market' (a market in which commodities are available for immediate sale), and the nature and diversity of properties and property markets give rise to the need for Professional Valuers and Valuation Standards.

5.5 In some States, the legal term Fair Market Value is used synonymously with the term Market Value. Fair Market Value should not be confused with the accounting term, Fair Value. (See para. 8.1 below.) The IVSC position is that the term Market Value never requires further qualification and that all States should move toward compliance with this usage.

6.0 Highest and Best Use

6.1 Land is regarded as a permanent asset, but improvements upon or to the land have a finite life. Because of the immobility of land, each real estate parcel possesses a unique location. Land’s permanence also means that it will normally be expected to outlast uses and improvements, which have a finite life.

6.1.1 The unique characteristics of land determine its optimal utility. When improved land is valued separately from improvements to or upon the land, economic principles require that improvements to or on the land be valued as they contribute to or detract from the total value of the property. Thus, the Market Value of land based upon the “highest and best use” concept reflects the utility and the permanence of land in the context of a market, with improvements constituting the difference between land value alone and total Market Value as improved.

6.2 Most properties are valued as a combination of land and improvements. In such cases, the Valuer will normally estimate Market Value by considering the highest and best use of the property as improved.
6.3 Highest and best use is defined as:

The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

6.4 A use that is not legally permissible or physically possible cannot be considered a highest and best use. A use that is both legally permissible and physically possible may nevertheless require an explanation by the Valuer justifying why that use is reasonably probable. Once analysis establishes that one or more uses are reasonably probable, they are then tested for financial feasibility. The use that results in the highest value, in keeping with the other tests, is the highest and best use.

6.5 Application of this definition permits Valuers to assess the effects of deterioration and obsolescence in buildings, the most appropriate improvements for land, the feasibility of rehabilitation and renovation projects, and many other valuation situations.

6.6 In markets characterized by extreme volatility or severe disequilibrium between supply and demand, the highest and best use of a property may be a holding for future use. In other situations, where several types of potential highest and best use are identifiable, the Valuer should discuss such alternative uses and anticipated future income and expense levels. Where land use and zoning are in a state of change, the immediate highest and best use of a property may be an interim use.

6.7 The concept of highest and best use is a fundamental and integral part of Market Value estimates.

7.0 Utility

7.1 The key criterion in the valuation of any real or personal property is its utility. Procedures employed in the valuation process have the common objective of defining and quantifying the degree of utility or usefulness of the property valued. This process calls for interpretation of the utility concept.
7.2 Utility is a relative, or comparative term, rather than an absolute condition. For example, the utility of agricultural land is ordinarily measured by its productive capacity. Its value is a function of the quantity and quality of produce, which the land will yield in an agricultural sense, or of the quantity and quality of buildings essential to the agricultural operation. If the land has development potential, however, its productivity is measured by how productively it will support a residential, commercial, industrial, or mixed use. Consequently, land value is established by evaluating its utility in terms of the legal, physical, functional, economic, and environmental factors that govern its productive capacity.

7.3 Fundamentally, property valuation is governed by the way specific property is used and/or how it would ordinarily be traded in the market. For some property, optimum utility is achieved if the property in question is operated on an individual basis. Other property has greater utility if operated as part of a group of properties, e.g., properties owned and managed by a business enterprise such as a chain of multiple retail outlets, fast food restaurants, or hotels. Therefore, a distinction must be made between a property’s utility viewed individually and when considered as a part of a group. A Valuer will regard the property as the market views it, whether as a discrete entity or as part of an aggregate or portfolio. Typically, the Valuer estimates and reports the value of the property as an individual entity. If the value of the property, taken as part of an aggregate or portfolio, is other than its individual value, such value should be considered and reported.

7.4 Free-standing properties that are self-contained, independent operations normally change hands on an individual basis and are valued as such. Should such properties possess greater (or lesser) value arising from a functional or economic association with other properties, such additional, or special, value may be addressed in the valuation process and reported accordingly, pursuant to either the Valuer’s own observations or in accordance with disclosed instructions from a client. Any such value estimate should not, however, be referred to as Market Value without a supporting explanatory statement.

7.5 An individual property may possess an additional, or special, value above its value as a separate entity by reason of its physical or func-
tional association with an adjoining property owned by others or its attractiveness to a purchaser with other special interests. The extent or amount of such additional, or special, value is generally reported separately from Market Value.

7.6 Utility is measured from a long-term perspective, ordinarily over the normal useful life of a particular property or group of properties. However, there are times when particular property may become temporarily redundant, otherwise removed from production, adapted to an alternative use or function, or perhaps simply idled for a prescribed period of time. In other instances, external market circumstances, economic or political, may dictate the curtailment of production for an indefinite period of time. Valuations in such situations require special expertise and training, and reporting should be done in accordance with International Valuation Standards. Of particular importance is that the Valuer should ensure that full explanation and disclosure is made of the definition of value, data upon which the valuation is based, and the extent of special assumptions or limitations (if any) upon which the valuation is made.

7.7 Similarly, property may not have a readily discernible degree of utility at the date of valuation because of external or economic factors, e.g., property situated in remote regions, in States experiencing volatile market conditions, in States not having a market economy, or in States experiencing a change in economic systems. The reporting requirements under International Valuation Standards for valuations under these circumstances call for full disclosure of the definition of value, the data which supports the valuation, and the extent to which special assumptions or limitations (if any) govern the valuation.

7.8 A common effect of political or economic uncertainty is a change in utility, whether in terms of capacity or efficiency. The Valuer’s responsibility in such situations is to assess the market expectancy of the time span for such events. Temporary shut-downs or closures may have little or no impact on property or asset values, whereas prospects for long-term cessation of activities may result in a permanent diminution in value. The property or asset valued must be viewed in the light of all internal and external factors bearing on its operating performance.
8.0 Other Important Concepts

8.1 The expression Market Value and the term Fair Value as it commonly appears in accounting standards are generally compatible, if not in every instance exactly equivalent concepts. Fair Value, an accounting concept, is defined in International Accounting Standards and other accounting standards as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction. Fair Value is generally used for reporting both Market and Non-Market Values in financial statements. Where the Market Value of an asset can be established, this value will equate to Fair Value. Where the Market Value of an asset cannot be established, its value is arrived at using a surrogate such as Depreciated Replacement Cost (DRC).

8.2 Specialised assets are those which rarely, if ever, sell in the (open) market except as part of the business of which they are a part (the business in occupation). Such assets may also be referred to as limited, or non-market, assets depending upon their degree of specialised design, configuration, or application. Where there is limited or no directly comparable market information for Valuers to consider, the valuation process may become more complex. However, it is the Valuer’s responsibility to develop data and reasoning from the market to support and/or explain the value conclusion. Although each of the valuation methods may be applied, and all applicable methods should be considered, the Depreciated Replacement Cost (DRC) method is commonly applied to specialised assets. Where possible, the Valuer develops land value, cost, and accumulated depreciation estimates from market information, and explains the basis for the value estimate.

8.3 Where normal market conditions are disrupted or suspended, or where supply and demand imbalances lead to market prices that do not meet the Market Value definition, the Valuer may face a difficult valuation problem. By using the Market Value concept and definition, and by applying market data and reasoning to the valuation process, Valuers ensure the relevance and usefulness of asset values reported in financial statements. As availability and/or applicability of market data decrease, the valuation assignment may require a
higher degree of professional Valuer vigilance, experience, and judgement.

8.4 A Valuer may be required to apply a particular definition of Market Value to meet legal or statutory requirements. If so required, the Valuer must make specific disclosure of the fact and describe the impact of any differences upon the value estimated. Where an assignment is undertaken in accordance with International Valuation Standards, the term Market Value will always conform to the IVS definition.

8.5 All valuation reports should make clear the purpose and intended use of the valuation. In addition to other reporting requirements, where financial reporting is involved the report should specifically identify the asset class into which each asset is placed and the basis for such placement. Each asset class should be explicitly explained.

8.6 The estimation and reporting of property and asset values, and related guidance, are the scope of these International Valuation Standards, Applications, and related Guidance Notes. How the results of valuations are to be compiled, conveyed, and incorporated with the findings of other professionals is of crucial importance to Valuers. Proper understanding of terminology is essential for Valuers and those who read their reports. The sound use of experience and expertise and correct application of methodology are also essential. These Standards are intended to serve the common objectives of those who prepare property and asset valuations and those who must rely on their results.

9.0 Valuation Approaches

9.1 Valuations of any type, whether undertaken to estimate market value or a defined non-market value, require that the Valuer apply one or more valuation approaches. The term valuation approach refers to generally accepted analytical methodologies that are in common use. In various States these approaches may be referred to as valuation methods.

9.2 Market-based valuations normally employ one or more of the valuation approaches by applying the principle of substitution, using mar-
ket-derived data. This principle holds that a prudent person would not pay more for a good or service than the cost of acquiring an equally satisfactory substitute good or service, in the absence of the complicating factors of time, greater risk, or inconvenience. The lowest cost of the best alternative, whether a substitute or the original, tends to establish Market Value.

9.2.1 Market-based valuation approaches include:

9.2.1.1 Cost Approach. This comparative approach considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that could furnish equal utility. In a real estate context, one would normally not be justified in paying more for a given property than the cost of acquiring equivalent land and constructing an alternative structure, unless undue time, inconvenience, and risk are involved. In practice, the approach also involves an estimate of depreciation for older and/or less functional properties where an estimate of cost new unreasonably exceeds the likely price that would be paid for the appraised property.

9.2.1.2 Sales Comparison Approach. This comparative approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

9.2.1.3 Income Capitalisation Approach. This comparative approach considers income and expense data relating to the property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a
defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.

9.3 Non-market based valuations may apply similar approaches, but typically involve purposes other than establishing Market Value. For example:

9.3.1 An enterprise/entity may apply a cost approach to compare the cost of other buildings with the cost of a proposed building to the enterprise/entity, thereby ascertaining the bargain or premium accruing a particular property at variance with the market at large. This application focuses on a particular property and what may be a non-market cost.

9.3.2 An owner of land may pay a premium price for adjacent property. In applying a sales comparison approach to determine a maximum price that owner is willing to pay for adjacent land, a Valuer arrives at a figure that may well exceed its Market Value. In some States, such an estimate is called Special Purchaser Value.

9.3.3 An investor may apply a rate of return that is non-market and particular only to that investor. In applying an income capitalisation approach to determine the price that investor is willing to pay for a particular investment based on the investor’s anticipated rate of return, a Valuer arrives at an estimate of Investment Value or Worth rather than Market Value.

9.4 Depreciated Replacement Cost (DRC) is an acceptable method used to arrive at a surrogate for the Market Value of specialised properties. The method is commonly applied in a valuation situation involving a property for which there are no readily available or otherwise dependable market data to analyse in developing a Market Value estimate.
9.5 Each valuation approach has alternative methods of application. The Valuer’s expertise and training, local standards, market requirements, and available data combine to determine which method or methods are applied. The reason for having alternative approaches and methods is to provide the Valuer with a series of analytical procedures which will ultimately be weighed and reconciled into a final value estimate, depending upon the particular type of value involved.

9.6 Valuation approaches and methods are generally common to virtually all types of valuation, including real property, personal property, businesses, and financial interests. However, valuation of different types of property involves different sources of data that appropriately reflect the market in which the property (and/or service or business) is to be valued. For example, individual buildings are commonly sold and valued in the relevant real estate market whereas the values of the shares of stock in a property company that owns a number of buildings are reflected by pricing in the relevant shares market.

10.0 Summary

10.1 The International Valuation Standards are intended to facilitate cross-border transactions involving property and contribute to the viability of global markets by promoting transparency in financial reporting. Emphasis is placed on the use of factual market information from which informed professional judgements regarding property valuations can be drawn.