

RED BOOK GLOBAL STANDARDS

# RICS Valuation – Global Standards

Basis for Conclusions

December 2024



# Basis for Conclusions

## Red Book Global Standards effective from 31 January 2025

### Executive summary

As part of our ongoing commitment to support high standards in valuation delivery worldwide, future-proof practices in the public interest and build trust in the profession, RICS has updated its Red Book Global Standards, last published in 2021 and effective from 31 January 2022.

Eight expert groups comprising around one hundred members and other stakeholders, from a diverse range of professional backgrounds and geographic locations, have supported the development of this Red Book Global Standards update. The groups include specific expertise in financial reporting, secured lending, plant and equipment, business valuation, trade related property, art and antiques, valuation compliance and environmental, social and governance (ESG) matters.

This basis of conclusion document provides a summary of the approach to the project, and insights into the consultation responses received and the decision-making process.

### Background

1. First published in 1976, Red Book Global Standards is updated regularly to reflect market changes through industry feedback. It is recognised globally as one of the most rigorous sets of standards for valuation and, as such, serves as a key reference for global users and stakeholders.
2. On 31 January 2024, new International Valuation Standards (IVS) were published, featuring a revised structure with an emphasis on ESG factors, data utilisation and valuation modelling. In response to these updates and insights gathered from the RICS valuation member survey, RICS is updating Red Book Global Standards to maintain high standards in valuation practice globally.
3. The purpose of the update to this professional standard has been to:
  - **Incorporate findings from the Valuation Review.** Red Book Global Standards has been made more accessible, removing repetition and enhancing dynamic cross-referencing. Although the range of coverage means the document has to be extensive, the sections are now more concise and the document more navigable. New coverage has been included on valuation methods and models, encouraging analytical approaches but maintaining the valuer's choice and judgment. Note that mandatory governance standards from the mainly UK-focused Valuation Review (e.g. on rotation) have not been included in this Red Book Global Standards update.
  - **Include practice and process changes from evolving areas such as technology and ESG.** We have amended existing mandatory standards (PS 1) around automated valuation models (AVMs), and incorporated new standards covering automation, AI and ESG. We have also revised VPGA 1, *Valuations for financial reporting*, and introduced an additional VPGA 11, *Relationship with auditors*, as well as undertaking technical updates to all of the valuation practice guidance applications (VPGAs).

- **Align with development in other relevant global standards and regulations, such as the new IVS published on 31 January 2024.** These included a revised structure and increased focus on ESG, data and valuation modelling. The existing structure has largely remained intact, but PS 1, PS 2 and the VPSs (professional and technical standards) and guidance have been revised and, in some cases, reordered. Red Book Global Standards has been broadly restructured to allow alignment with IVS as follows:
  - VPS 1 remains as VPS 1 (*Terms of engagement*), with some additional items and entries
  - VPS 2 becomes VPS 4 (*Inspections, investigations and records*)
  - VPS 3 becomes VPS 6 (*Valuation reports*), including some additional items and entries
  - VPS 4 becomes VPS 2 (*Bases of value, assumptions and special assumptions*)
  - VPS 5 splits into VPS 3 (*Valuation approaches and methods*) and VPS 5 (*Valuation models*)

## Development process overview

1. A global survey was held in late 2023 to gather feedback on the scope, content, timing and application of Red Book Global Standards.
2. Lead authors were commissioned for some sections of the standard requiring substantial change. RICS internal specialists developed other specific sections, based on the input and expertise of eight diverse and global expert working groups, composed of valuation practitioners, client representatives, academics and consultants selected for their specialist knowledge and diverse experience with the relevant sections.
3. A public consultation was held from 1 July to 2 August 2024 to gauge feedback and inform the development of the standard.
4. RICS in-house editorial team checked the overall style and presentation of the document, and aligned it with our house style and standards framework.
5. A Red Book Global Standards technical editor was employed as a consultant to lead on the continuity of the document as a whole.
6. The development and final publication of the standard were also informed by our internal governance mechanisms, including the Valuation Professional Group Panel, the Global Valuation Standards Expert Working Group (GVSEWG), the Knowledge and Practice Committee and the Professional Standards Steering Group, who approve standards on behalf of the Standards and Regulation Board.

## Engagement and insights

Red Book Global Standards 2024 is built on the foundations of user feedback. Over 200 individuals, firms and organisations have been involved with the development of the final Red Book Global Standards, with material changes made to every PS, VPS and VPGA section further to comments and feedback. The feedback came in a number of forms, as set out below.

### 2023 survey

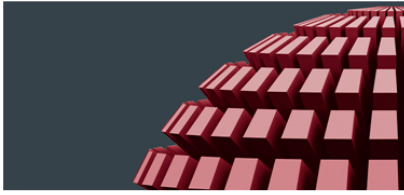
1. A survey was created to gain insight into members' views on the scope, application, content and timing of Red Book Global Standards' next update.
2. The survey ran from September – November 2023.

3. The survey had 163 respondents.
4. The findings were:
  - Respondents were generally in favour of alignment with IVS, and further to the proposed IVS extension between publication and implementation, a single update of Red Book Global Standards to achieve this.
  - It is common for RICS to fully incorporate IVS into Red Book Global Standards, and we have done so here. The proposed IVS includes a revised structure of both technical standards and guidance. To follow this, RICS has remodelled sections of Red Book Global Standards.
  - There was a mixture of views around whether Red Book Global Standards advisory content should be defined by purpose or asset type. We have drawn the conclusion that the best solution is to have distinct sections covering each, but improve the overall layout, cross-referencing and navigation of the standards.
  - There were also differing viewpoints expressed about what defined/denoted a valuation in the context of Red Book Global Standards, and whether this was effectively determined by purpose, process or both. A frequently referenced suggestion to help with this was keeping the current definitions, but making the exceptions and associated commentary clearer in terms of scope and application. The PS 1 section 5 exceptions text has been altered and enhanced to take on this feedback.

## Consultation

### Process

1. A public consultation took place from 1 July to 2 August 2024.
2. The consultation process was facilitated using [iConsult](#), our interactive platform, where participants were encouraged to provide feedback on the draft document and/or respond to a questionnaire.
3. The consultation site provided free downloads of:
  - the proposed draft
  - a document comparing the 2021/2 edition with the proposed changes
  - a high-level summary of the proposed changes and
  - IVS 2024/5.
4. The consultation was supported by a comprehensive communications strategy, which included:
  - a social media campaign (e.g. [LinkedIn posts](#) and features in LinkedIn newsletters)
  - features in RICS newsletters such as 'All Profession'
  - posts on [MyRICS Community](#)
  - direct emails from the RICS valuation team to key stakeholders, including the [Valuation PGP](#) and GVSEWG, and
  - a service email, which went to over 100k RICS members.



Global Red Book consultation launched

Contribute now

5. During the consultation period, a free webinar was held on 16 July 2024 to give us the opportunity to present the proposed changes and encourage consultation responses.

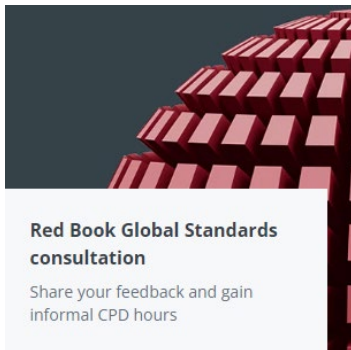
Webinar

### Global Red Book Standards 2024: Consultation Webinar on Proposed Changes

Tue 16 Jul 2024 • 10:00 - 11:00 BST • 1.0 Hours Formal CPD

Online

6. The [RICS Red Book Global Standards web page](#) had regular updates to provide key information, FAQs and links, providing transparency and clarity on direction.



## Statistics

1. We received 271 responses from 45 participants, in the form of 32 questionnaire responses and 239 comments on the draft standard. There were 1,136 downloads of the draft standard.
2. Among the participants were a range of valuation firms, clients, professional organisations, research bodies and specialist consultants. We received responses ranging from individuals and small firms to large multinational firms and organisations.
3. The free webinar held on 16 July 2024 had 755 registrants. Approximately 400 people attended on the day, and all had access to the recording.
4. RICS members made up 87% of the consultation respondents.
5. Responses were received from participants based in Australia, China, Ethiopia, Germany, Ghana, Hong Kong, Israel, Italy, Luxembourg, Myanmar, Uganda, the UK and the United States.
6. SMEs made up 42% of respondents, whereas large firms made up 58%.

## Key themes from the consultation and the RICS response

This document does not attempt to summarise every consultation response, nor provide the full rationale for how RICS managed each response. However, in light of these public comments, this document outlines a proposed path forward, as well as key matters addressed in the finalisation of the standard following the consultation.

Although it would not be helpful to respond to every comment in this summary, we would like to reassure respondents that every comment and response has been recorded, analysed and considered. The final published version of Red Book Global Standards is greatly improved by these contributions. In addition to the matters below, numerous corrections, amendments and style considerations were made directly off the back of consultation feedback. We greatly appreciate your responses.

Responses received ranged from highly technical to more general comments relating to implementation and clarity. The broad themes are highlighted below, together with RICS' responses.

### 1 Applicability of the standards

We received responses from people questioning who the standards apply to. Does each and every individual standard of Red Book Global Standards apply to members and regulated firms, with regulated firms accountable for members and non-members in every case, or do individual standards apply to members and/or regulated firms, requiring it to be stated throughout the document where this is the case?

#### RICS response

The issue of whether Red Book Global Standards applies to individual members or regulated firms was discussed with GVSEWG, who considered that the main content in the current version already provides sufficient clarity regarding the applicability to both members and firms, such as in PS 1 section 1, *Mandatory application*: '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'. We have added further clarity throughout the document in the context of individual standards.

### 2 Reference to any national or world regional documents

We have received responses questioning whether it is appropriate to cross-reference requirements in a specific RICS Red Book national supplement in Red Book Global Standards.

#### RICS response

On the balance of consultation responses received on this subject, we have decided to remove cross-references to national supplements from Red Book Global Standards. In addition, we will review our Red Book Global Standards website pages and improve how we link national supplements via this medium.

### 3 Departures

The concept of 'departures' is now no longer part of IVS, where the focus is more on compliance. Legitimate application of, for example, a jurisdictional legal standard does not mean non-compliance with IVS.

Circumstances where parts of Red Book Global Standards may not apply have developed over time (note that PS 1 and PS 2 always apply). For instance, there are a number of explicit named exceptions to the application of all or part of VPS 1–6.

PS1 section 4 also discusses other valuation standards and jurisdictional standards that might legitimately apply over parts of Red Book Global Standards.

The current Red Book Global Standards has a section (PS 1 section 6) covering ‘special circumstances’ allowing departure from all or part of VPS 1–6. The section does not give parameters or examples.

## RICS response

It has been decided that in order to give more certainty around the application of a specific departure from part of VPS 1–6, the language in PS 1 section 6 has been slightly amended for clarity, removing the term ‘special circumstances’. This is also further to a recommendation from RICS Regulation.

References to IVS departures have been removed, as this is no longer an IVS concept.

## 4 RICS and IVSC terminology

We have considered whether Red Book Global Standards should adopt RICS or International Valuation Standards (IVS) terminology, or a mixture of both – for example ‘valuation purpose’ (as per RICS) or ‘intended use’ (as per IVS).

## RICS response

On the balance of consultation responses received and the interests of continuity and familiarity, we have decided to remain with Red Book Global Standards terminology throughout the new edition, but refer to IVS equivalent terminology in the Glossary and appropriate parts of the text. Where specifically citing IVS in the text, we have used its terminology.

## 5 Use of terms ‘external valuer’ and ‘internal valuer’

During the consultation, we asked the question ‘should the terms “external valuer” and “internal valuer” now become redundant as defined terms, and if so, should they now be removed from the new edition of Red Book Global Standards?’

## RICS response

While the responses to the consultation response indicated split views on this issue, in further liaison with GVSEWG and the Valuation Professional Group Panel, we have decided to retain use of these terms, including defining them in the Glossary.



## 6 'Internal valuation' exception

Various questions in the consultation asked whether or not the 'internal valuation' exception (which was significantly redrafted) provided further clarity in the explanation and applicability of this exception, along with asking whether or not this exception was still applicable, and whether or not it should be retained.

### RICS response

The consultation responses showed almost unanimous support for the redrafted exception and maintaining its use, along with confirming that its use was still applicable. Minor additional suggestions were incorporated after consultation to assist with providing further clarity.

## 7 Valuation review

IVS 2024 includes a new and more defined concept of valuation review, containing either or both of a valuation process review and/or value review (defined terms). Feedback has suggested that the Red Book Global Standards section currently titled *Reviewing another valuer's valuation* needs to be appropriately updated to reflect IVS.

### RICS response

Further to feedback, the IVS concepts have been adopted, with additional guidance and support included in Red Book Global Standards.

## 8 Insurance reinstatement assessments

Some consultation responses questioned whether insurance reinstatement assessments should be considered to be 'valuations' undertaken in accordance with Red Book Global Standards, although in the current edition they are not considered to be.

### RICS response

In liaison with GVSEWG, we confirmed that insurance reinstatement assessments do not comprise 'valuations', and that the current wording in this regard should remain. It was also agreed that GVSEWG would work on separate member communications in this regard to highlight this distinction.

## 9 International Property Measurement Standards

A question in the consultation asked whether or not Red Book Global Standards should reference *International Property Measurement Standards*.

### RICS response

Given the varying responses on the issue, RICS has continued to acknowledge that, as Red Book Global Standards is a global document, *International Property Measurement Standards: All Buildings* should continue to be referenced. However, in recognition of the varying responses and local market measurement practice, the mandatory requirement has been replaced with 'should' and 'wherever possible' language.



## 10 ESG requirements

During the consultation, we sought views on how to incorporate ESG into mandatory standards and guidance, and the extent to which this would be through explicit requirements or implicit in other requirements.

### RICS response

In light of the questionnaire responses, detailed comments on the draft and the contributions of expert groups, we decided to parallel the IVS structure and make ESG consideration an explicit mandatory item in the terms of engagement and valuation report. There is also mandatory consideration at the inspection and investigation stage. The IVS 104 Data and Inputs (ESG) Appendix was seen by some as a checklist for real property valuation, rather than a useful guidance resource for all valuation. We have therefore cross-referenced it rather than repeat it in the mandatory standards, and added and refined asset-specific guidance in the VPGAs, including a more comprehensive list of potential ESG considerations in VPGA 8. We have clarified the scope and limitations of valuation advice in the context of ESG considerations, emphasising that it is limited to the impact on valuation and not a general assessment of ESG risks.

## 11 Basel 3.1 prudent value commentary (removed)

A number of consultation responses mentioned the risks of commenting on Basel 3.1 prudent value stipulations at what was seen by some as an early point of implementation, and in light of the fact that implementation was likely to differ in jurisdictions globally. This was emphasised by a policy document published by the UK banking regulator (the PRA) on 12 September 2024.

### RICS response

RICS has taken on board consultation feedback and removed the Basel 3.1 information included in the consultation version of VPGA 2. Although not correct to include in Red Book Global Standards at this stage, respondents have made clear to us that they would like RICS to engage on this subject and regularly communicate through the website. [Implementation of Basel 3.1 and the potential implications for RICS Members](#).

## 12 Forward look commentary (removed)

Property risk advice, and what the Valuation Review referred to as the 'forward look', led to new draft commentary in Red Book PS 1 paragraph 1.9 on this. However, respondents felt that this should be the subject of separate guidance, and could be confusing where referred to in a valuation standard.

### RICS response

The 'forward look' commentary included in the consultation draft has been removed. RICS is exploring how we can better provide guidance and information on property risk and other forms of risk, highlighting limitations and challenges around forecasting and prediction in uncertain global markets.

## 13 Special assumptions (VPS 2)

VPS 2 contains a number of examples of special assumptions. There is support from respondents for these, but a recognised need to make sure examples are global, relevant to modern practice and technically correct.

### RICS response

With the support of GVSEWG, the special assumptions examples have been updated to reflect the concerns raised above.

## 14 Secured lending valuations – special assumptions

The consultation version included a provision to report valuations for secured lending where special assumptions had been made, both with and without the special assumption. A number of respondents found this requirement to be onerous and not suitable for the variety of valuation circumstances that might apply.

### RICS response

The requirement has been revised back to similar wording used for the 2022 edition, suggesting that a valuation be accompanied by a comment on any material difference between the reported value with and without that special assumption.

## 15 Secured lending valuations – conflicts of interest and objectivity

A number of respondents welcomed the consolidation of the conflicts of interest content in VPGA 2, with suitable cross-referencing with PS2 and the [Conflicts of interest](#) RICS professional standard. One respondent did have strong reservations around the removal of specific timescales for undertaking work.

### RICS response

In making VPGA 2 capable of global implementation and application, some of the guidance has by its nature become higher-level. RICS is currently reviewing national guidance and purpose-specific guidance that is capable of going into more market-specific contexts.

## 16 Material valuation uncertainty (MVU)

The consultation draft included additional commentary on MVU, based on lessons learned from recent applications in the market. The commentary was welcomed by a number of respondents; however, there was a request for the language to be consistent with other parts of Red Book Global Standards, and for it to avoid confusion with similar terminology used in other contexts/practices.

## RICS response

We have adopted the specific respondent feedback to improve the clarity and consistency of this section.

## 17 Technology, automation and AI

Various sections of the consultation draft included reference to technology, AI and automation, including the use of automated valuation models (AVMs). Respondents corrected some of the terminology used and sought clarity, particularly around the use of AVMs.

## RICS response

We have used respondent feedback to correct terminology and add clarity, emphasising the need for the valuer's professional judgment to be applied to an AVM output in order for it to be considered a written valuation in accordance with Red Book Global Standards.

## 18 Valuation models

The updated IVS includes, for the first time, a specific standard related to valuation models (IVS 105), with a parallel section introduced into Red Book Global Standards (VPS 5). Some respondents were confused by the requirements on models included in the draft. There was a request for clarity around the difference between a valuation approach, method and model, and a suggestion that accommodation should be made for simple forms of valuation modelling.

## RICS response

We have simplified and clarified the VPS 5 text, and limited the reporting requirement to complex and proprietary models.