

# Real Estate Valuation

## Valuation Ethics



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# What IVS says

The process of valuation requires the valuer to make impartial judgements as to the reliability of inputs and assumptions. For a valuation to be credible, it is important that those judgements are made in a way that promotes transparency and minimises the influence of any subjective factors on the process. Judgement used in a valuation must be applied objectively to avoid biased analyses, opinions and conclusions.

It is a fundamental expectation that, when applying these standards, appropriate controls and procedures are in place to ensure the necessary degree of objectivity in the valuation process so that the results are free from bias. The IVSC Code of Ethical Principles for Professional Valuers provides an example of an appropriate framework for professional conduct.

If the valuer has any material connection or involvement with the subject asset or the other parties to the valuation assignment, or if there are any other factors that could limit the valuer's ability to provide an unbiased and objective valuation, such factors must be disclosed at the outset. If such disclosure does not take place, the valuation assignment is not in compliance with IVS.

# IVSC Code: Ethical principles

**Integrity**

**Objectivity**

**Competence**

**Confidentiality**

**Professional behaviour**

# Integrity

**Straightforwardness and honesty in professional and business relationships**

## Threats

- Valuation contains statements or information that are materially false or misleading or that are made recklessly
- Valuation omits or obscures information required to be included where such omission or obscurity would be misleading

## Safeguard

- Immediate steps to disassociate from such information, e.g. issuing a modified valuation

# Objectivity

**Not to allow conflict of interest, or undue influence or bias to override professional or business judgement**

## **Threats:**

- Self-interest threat
- Self-review threat
- Client conflict threat
- Advocacy threat
- Familiarity threat
- Intimidation threat

**Remember: It is all about perception!**

# Objectivity safeguards

**Disclose, in the scope of work, any past or current involvement with either the asset to be valued or a party interested in the asset**

## Perception of bias

- Separate operationally the valuation department from departments providing potentially conflicting services
- Disclose other fee-earning relationships with the client when a third-party may rely on the valuation

## Self-review threat

- Provide periodic peer-review by valuers unconnected to the assignment
- Periodically change the valuer responsible for the assignment

## Client conflict threat

- Ensure the parties are properly informed and aware of the potential consequences for their interest in consenting to the professional valuer being appointed

**If no satisfactory safeguards to eliminate or minimise the threat to objectivity can be identified the professional valuer should decline the assignment.**



# Competence

To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service

To act in accordance with applicable technical and professional standards when providing professional services

## Safeguards:

- A professional valuer should take reasonable steps to ensure that those working under the professional valuer's authority have appropriate training and supervision in a professional capacity
- If a professional valuer does not have the professional knowledge and necessary experience to competently undertake a valuation assignment that is offered, the professional valuer should decline that assignment

# Confidentiality

## **Do not disclose confidential information**

- outside the firm or employing organisation acquired as a result of professional and business relationships without proper and specific authority or
- unless there is a legal or professional right or duty to disclose

## **Do not use confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties**

## **Safeguards:**

- A professional valuer should take reasonable steps to ensure that staff under the professional valuer's control and persons from whom advice and assistance is obtained respect the professional valuer's duty of confidentiality



# Professional behaviour

An obligation on all professional valuers to act diligently in the service of their clients and to ensure that the service provided is in accordance with all legal, technical and professional standards that are applicable to either the subject of the valuation, the purpose of the valuation or both.

Professional behaviour includes acceptance of a responsibility to act in the public interest.

Honest and truthful marketing

A professional valuer should avoid any action that may discredit the profession

# Feedback???

**Please, remember to answer to the online feedback survey! 😊**

**Now it's your chance to speak...**