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The Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

Email: standard@aasb.gov.au

Dear Sir/Madam,

Comments on Exposure Draft – Fair Value Measurement, ED 181, June 2009

Urbis is a medium sized property consultancy company, which includes a property valuation division, which has particular expertise in providing valuations for financial reporting purposes under the Fair Value Guidelines (namely AASB 116 Property Plant and Equipment) for various specialised State Government property portfolios.

In relation to the above document, we have paid particular attention to and provided specific comment on questions 1, 3-6, 10 and 11 as we consider these the most appropriate from a property valuation context.

In relation to those comments, we consider the proposals detailed in the exposure drafts are valid and/or generally agree with accepted valuation principles for such assets. As such, we are generally supportive of the information provided within the draft. However, we would draw your attention to the following points as areas for further consideration and presentation to the International Accounting Standards Board (IASB):

- **Question 1**

We generally agree with the proposed modifications to the definition for Fair Value as specified under paragraph number 1 and further detailed in paragraphs BC15 to BC18. Notwithstanding, there are also elements of the existing definition which we consider are relevant from a property valuation context, specifically those elements pertaining to the "knowledgeable, willing parties in an arms length transaction".

I point out that the definition of Market Value for property as adopted by the Australian Property Institute, which was derived from legal precedent and has stood the test of time for over 100 years. This definition is detailed below and while I acknowledge it specifically relates to the valuation of property it could easily be adapted to fit the intentions of the Fair Value definition and also meets all of the shortcomings in the existing definition as highlighted under paragraphs A, B and C of BC 17.

- **Question 5**

We are generally in support of the proposals under this question although we have particular comment in relation to part (b).

Under paragraphs 22 and 23, to which this question refers, we would require greater clarity between the "in use" and "in exchange" definitions and perhaps further guidance to the appropriate valuation methodologies in assessing values under these definitions, particularly in relation to the larger property portfolios.

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In particular, does the "in use" definition for a significant property portfolio (ie. say a large water infrastructure provider, electricity provider etc) require the hypothetical market participants to purchase **all** assets within the portfolio and subsequently operate a business on the same basis?

If so, could this become a much more complex "business valuation" exercise requiring far greater understanding of balance sheet information, trading figures, tariffs, etc?

Alternatively, would the "in exchange" notion suffice in this instance and treat each **individual** property within the portfolio to an **individual** highest and best use test with reference to its surrounding environment (For example, a sewerage pumping station in a predominately residential location would possibly have a higher value as a residential site than it would as a small infrastructure asset within an entire portfolio).

- **Question 6**

We agree with the notion that this question proposes as it allows entities to capture the full market value of the assets and therefore make better business decisions in relation to those assets. This is particularly relevant for specialised asset holders which generally operate in markets which either experience very low asset demand and/or are rarely traded assets because of the type of asset involved.

However, it is important that the guidelines are sufficiently worded in order to avoid "double counting" the value of some elements within the asset such that the total reported value is higher than the alternative highest and best use value. This can be particularly problematic in the valuation of highly specialised properties. For example, if a parcel of land is valued at its realisable higher value under an alternative use, it would be wrong to attribute any value to specialised buildings on that land if they have no useful/valuable role in that alternative use.

Further, in this situation it can often be difficult to determine the value of a property if it is being used by an entity in a way that differs from its highest and best use because there is often limited sales evidence on which to base a comparison. In this regard, it may be sufficient for the valuer to determine the highest and best use for the property and allow the reporting entity to decide on the best method to apportion that value, between the land and building components.

In closing, we are generally supportive of the majority of detail disclosed in the exposure draft, albeit noting the exceptions detailed above. We would be happy to expand on any of the points mentioned above if you so wish and we would be happy to provide additional input into any proposal that is to be forwarded to the IASB.

Should you wish to discuss this matter further, please feel free to contact the undersigned at any time.

Yours sincerely,

Peter Molloy, AAPI
Senior Valuer

Chris Torr, AAPI
Director