



# Residential Valuation Standing Instructions

*These instructions are designed to outline requirements for Residential Valuation reports prepared for Mortgage Security purposes by Registered Valuers.*

**Version 1.3**

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## Section 1: General Matters

### 1.1 Introduction

- 1.1.1 These Residential Valuation Standing Instructions (Standing Instructions) are intended to outline requirements for Residential Valuations prepared for the benefit of the entities in 1.1.3.
- 1.1.2 This document has been designed to be used by Registered Valuers whether the valuation has been instructed directly by a borrower, a lender, a mortgage broker or via a Valuation Ordering Service (VOS).
- 1.1.3 These instructions have been prepared in consultation with the New Zealand Institute of Valuers and are endorsed by the following lenders:
- ANZ Bank New Zealand Limited
  - ASB Bank Limited
  - Bank of New Zealand
  - HSBC
  - Kiwibank Limited
  - Mortgage Holding Trust Company Limited (Sovereign)
  - SBS Bank
  - The Co-Operative Bank Limited
  - TSB Bank Limited
  - Westpac New Zealand Limited
- 1.1.4 The Valuation Report must be addressed to the lender entity associated with the instruction, with the VOS reference number clearly noted (if applicable). Valuation Report includes any report being provided as part of these Standing Instructions such as a Progress Payment Report.
- 1.1.5 You must provide a statement within the Valuation Report noting it complies with these Standing Instructions.

### 1.2 Types of Property Covered by these Instructions

- 1.2.1 The Standing Instructions are to be used for the valuation of Residential Property, as defined below (this list is not exhaustive and is intended as a guide):

#### Type of Property Included ('in scope')

- a single dwelling (house, townhouse, unit or apartment)
- a single dwelling or up to three dwellings on a site with a maximum of three site subdivision potential
- A single vacant residential site
- a maximum of three houses or units under construction or to be built
- a unit title apartment (or stratum in freehold) occupied for residential use
- a serviced apartment where permanent occupation is a permissible alternate use
- a rural residential (lifestyle) property where residential use is the predominant use
- a leasehold (or ground lease) residential property
- a dual occupancy property (including Home & Income), with no more than three dwellings on one certificate of title
- a Company Title home unit
- A single property (vacant or improved) which currently offers a maximum of three lot subdivision potential however the zoning may permit a higher density of development. This is where development or redevelopment is undertaken prior to any subdivision or division into Unit Titles (excludes apartment development sites)

#### Type of Property Excluded ('out of scope')

- a property for which permanent residential use is not permitted
- a property with four or more dwellings on one title (e.g. block of units or house split into flats)
- a boarding house or residential dwelling converted to a boarding house or properties with four or more tenancies
- a bed and breakfast property, unless valued on a standard residential basis
- a rural property that is not suitable for residential use, or where a residential use is not the main use (the main use may be farming or horticulture).
- a commercial property (such as an office, retail building or industrial property)
- a mixed-use property
- a development site (as described in section 3.4)
- a retirement village, hostel or aged care unit
- Maori Freehold Land
- Life Tenancies

- 1.2.2 Where a Valuer identifies that a valuation request appears to be 'Out of Scope' or where the Valuer is unsure that the valuation request is 'In Scope', the Valuer should identify this under 'Type of Property' (refer Section 2.2.1). In all cases, the Valuer should clarify with the VOS, or Valuation Orderer where there is no VOS involved, prior to proceeding with the valuation.

### **1.3 Best Practice**

- 1.3.1 The Valuation Report must also comply with industry standards and best practice as supported by the New Zealand Institute of Valuers, including;
- International Valuation Standards
  - Australia and New Zealand Valuation and Property Standards, Guidance Notes and Technical Information Papers.
- 1.3.2 Where this document is in conflict with, or is a deviation from, the provisions of the above documents, the approach taken by the Valuer needs to be clearly noted within the Valuation Report as a 'Special Assumption' (as defined within International Valuation Standards).
- 1.3.3 A Valuation Report is required by a lender to provide an assessment of Market Value (as defined by the New Zealand Institute of Valuers), however also as part of making an informed lending decision. Lenders expect Valuers to highlight any risk aspects relating to the subject property and to recommend further specialist advice where required.

### **1.4 Required Qualifications and Experience of Registered Valuers**

- 1.4.1 Registered Valuers must physically inspect the subject property internally and externally in a way that is sufficient for them to competently assess the value of the subject property.
- 1.4.2 All parties involved in preparing the valuation must sign the Valuation Report. Each signatory to the Valuation Report must disclose, ideally in the Executive Summary, their role in producing the valuation assessment and the Valuation Report. This includes a statement that all Valuers signing the valuation report, undertook an internal inspection (a site inspection if vacant) of the subject property on the Valuation Date.
- 1.4.3 All signatories to the Report must have sufficient knowledge of the comparable evidence to support the value conclusion. Registered Valuers are not required to have physically inspected each comparable sale, however they must be aware of both the property identified and the transaction details.
- 1.4.4 To avoid confusion as to who is the author and therefore who is the responsible Registered Valuer, counter-signing a valuation report for Quality Assurance is not required. However, where a valuation report is subject to a Quality Assurance check within a valuation firm and another Registered Valuer that has not inspected the subject property is acknowledging this by signing the report, a statement to that effect must be recorded. Further, a statement that the inspecting Registered Valuer remains the responsible author of the valuation report must be recorded.

### **1.5 Valuation Report Requirements**

- 1.5.1 The Valuation Report must address all of the items included in Section 2 of these Standing Instructions.

## 1.6 Professional Expectations

- 1.6.1 The Valuation Report is expected to outline all factors that could impact on the value of the subject property, and in some cases may include commentary that could fall more appropriately into the domain of other specialist professions such as building inspectors, architects, quantity surveyors, lawyers, and planning consultants.
- 1.6.2 Comments provided by Registered Valuers on areas of specialised knowledge are to be limited to (and accepted as) the Registered Valuer's view of how prospective purchasers would approach that aspect of the subject property, with the Registered Valuer recommending specialist advice where this is considered necessary.

## 1.7 Valuation Date

- 1.7.1 The effective date of your valuation (Valuation Date) must be the same as the Inspection Date, unless otherwise instructed.
- 1.7.2 The Valuation Report must include the Valuation Date, the Inspection Date and the Report Issued Date.

## 1.8 Conflict of Interest

- 1.8.1 The Registered Valuer must be independent and at arm's length from all parties including the borrower, vendor, developer, purchaser, Real Estate Agent, introducer or other professional adviser. Registered Valuers are reminded of the NZIV Code of Ethics which states the following in Section 2.2:

*A member must not accept or carry out any instruction where there is, or may reasonably be construed to be, a conflict of interest and must withdraw from any instruction if such a conflict of interest arises or becomes known after the instruction has been accepted, unless such conflict of interest is fully disclosed in writing to all relevant parties and all such parties agree that the instruction may be accepted or continued by the member.*

For clarity, unless otherwise agreed with the Bank, Registered Valuers must not complete a valuation report for a purchaser when the Registered Valuer or valuation firm has undertaken a valuation on that same property for the vendor. Where the VOS, or Bank where there is no VOS involved, establishes that it is not practical to assign a new valuer, the previous valuer may be engaged. This is expected to be an exception only.

- 1.8.2 Should the VOS, or Bank where there is no VOS involved, agree that the instruction may be accepted, the Registered Valuer must identify in the Executive Summary, the circumstances of such Conflict of Interest and that written agreement has been obtained from all relevant parties to proceed.

## 1.9 Amended Reports

- 1.9.1 An Amended Report is a Valuation Report that has been changed by the Registered Valuer after the original Valuation Report has been issued.
- 1.9.2 Amended Reports must include a version number, date the report was reissued and an additional section entitled 'Amended Report' in the Executive Summary. This section is to include a summary of the changes made to the original Valuation Report and justifications for those changes.
- 1.9.3 Amended Reports should be peer reviewed if deemed necessary.

## **1.10 Recommended Documents to Sight**

- 1.10.1 As part of the valuation the Registered Valuer should obtain any public or reasonably available documentation that may impact on marketability or value. The Registered Valuer must identify in the Special Assumptions any information that was sought by the Registered Valuer as part of the valuation but was not made available e.g. Body Corporate Minutes. The Registered Valuer is not required to search the council file for the subject property unless required as part of the specific instruction.
- 1.10.2 Where a subject property has been recently constructed or subject to recent building work, the Registered Valuer must enquire whether a Code Compliance Certificate is required or has been issued. If a Code Compliance Certificate is required and has not been issued, or the Registered Valuer has been unable to ascertain whether the work has a Code Compliance Certificate, this must be specifically noted within the Valuation Report.
- 1.10.3 If a Sale and Purchase Agreement, Land Information Memorandum (LIM), Property Information Memorandum (PIM) or other property related document is provided as part of instruction, the Registered Valuer must read and comment on the information provided.

## **1.11 Inspection**

- 1.11.1 The Registered Valuer is to inspect all readily accessible areas of the improvements. If this is not possible, the extent of any limitation to the inspection must be noted in the Special Assumptions within the Valuation Report (if such inspection would normally be available e.g. a bedroom). Assumptions in relation to roof space and foundation space access should be made in the Assumptions section of the valuation report.

## **1.12 Report Disclaimers and Disclosures**

- 1.12.1 The Valuation Report must not contain disclaimers or statements that are similar to the following:
- require the lender to comply with internal lending guidelines, prudent lending practices, or to lend conservatively
  - require the lender to undertake specific actions, unless detailed in the Special Assumptions, as part of accepting the valuation report (other than recommendations such as the recommendation for a professional report to be completed)
  - make comment on the Registered Valuer's opinion of an applicable or conservative Loan to Value Ratio, lending amount or a numerical Mortgage Recommendation
  - make the valuation 'conditional' on an aspect unrelated to the value of the subject property, unless detailed in the Special Assumptions
  - unreasonably restrict the Registered Valuer's liability to the lender, and/or limit the Registered Valuers liability in regards to aspects of the subject property that could be reasonably researched and commented on by the Registered Valuer
  - unreasonably restrict the time period for which the valuation can be relied upon
- 1.12.2 The Valuation Report is to include a statement that:
- a) the firm holds current sufficient Professional Indemnity Insurance and that the Registered Valuer signing the report is covered by the policy.
  - b) All Registered Valuers signing the Valuation Report hold an Annual Practising Certificate.

## Section 2: Valuation Report Format

The following comprise the minimum reporting requirements expected as part of a Residential Valuation Report.

### 2.1 Cover Page

2.1.1 Provide a cover page which includes:

- Identification of the valuation business name
- Identification of what the document is e.g. Valuation Report or Progress Payment Report
- Subject property address including Postcode
- 'Valuation Date'
- 'Prepared For' (lending institution)
- 'Borrower'
- VOS Number (if applicable)

### 2.2 Executive Summary

2.2.1 Provide an Executive Summary section at the start of the Valuation Report, which includes at least the following headings (if applicable):

Address	Address of the subject property being valued and include the 'also known as', if applicable.
Instructed by	Where this is ordered via a VOS, this will be the Bank (lender name) however it should also identify that the order was placed via a VOS, if applicable.
VOS Order Number	VOS Order Number (if applicable).
Prepared For	Lending institution the Valuation Report is addressed to.
Borrower	
Purpose of Valuation	
Type of Property	As outlined in Section 1.2.
Brief Property Description	Include the estimated age and design of the improvements, the number of bedrooms and bathrooms, the floor area, and the condition of the improvements. Also to be identified is the land area (if appropriate) and the locality of the subject property.
Valuation Date	This must be the same as the Inspection Date, unless otherwise instructed.

Version number of the Valuation Report	Include if an Amended Report. This may be positioned in the footer.
Amended Report	Include if an amended report and include a summary of the changes made to the original Valuation Report and justifications for those changes.
Special Assumptions	Any Special Assumptions applying to the valuation. State that there are none, if applicable.
Significant Risks	Any significant risks with the subject property. State that there are none, if applicable.
Value(s)	Market Value as assessed plus any other value levels required or requested e.g. Market Value 'As is', Market Value 'As if Complete' and/or the Estimated Cost to Complete. State the GST status of the assessment e.g. Unless otherwise stated, all figures include GST (if any).
Parties Involved	The names of all parties involved in the preparation and signing of the Valuation Report, identification if a Registered Valuer or not and if more than one author, an explanation of the role of each Valuer. [This item should ideally be contained within the Executive Summary however it may be contained within a prominent position elsewhere in the Valuation Report]
Registered Valuer Inspection	Confirm that a full site and internal inspection of the improvements on the subject property has been carried out by each of the signing valuers at the Inspection Date stated above. [This item should ideally be contained within the Executive Summary however it may be contained within a prominent position elsewhere in the Valuation Report]
Conflict of Interest	Refer to Section 1.8 [Conflict of Interest]

## 2.3 Risk Analysis

2.3.1 Identification and an assessment of the risks that may impact property value is required.

2.3.2 The risk assessment matrix will include:

- property specific risk ratings – location and neighbourhood, land, resource consent issues, and improvements
- market risk ratings – market volatility, local market impact and market segment conditions
- any other risk deemed appropriate to be identified by the Registered Valuer



2.3.3 Elevated risks should be clearly discussed within the Valuation Report and how they apply to the subject property, including issues such as:

- Building Consent or Resource Consent or areas of non-compliance
- flood, erosion, subsidence or slip risks
- earthquake impacted areas or land identified as having a high risk of liquefaction
- Requirement or Designations for proposed public works
- sites or areas of significance to Tangata Whenua
- heritage features
- essential repairs
- building defects including weathertightness or other deterioration
- the use of exterior aluminium composite cladding
- proximity to infrastructure such as a mobile phone tower or transmission lines/pylons
- restrictions on access to the subject property
- proximity to railway lines, main roads or airport/flight path
- any form of contamination

## 2.4 Photographs

2.4.1 The Report should include a minimum of five colour photos of the subject property. These must be taken at the Valuation Date (date the subject property was inspected).

2.4.2 As a minimum, photographs should include, as appropriate, the:

- roadside/front of subject property
- kitchen
- main bathroom
- main living area
- main yard area/section
- rear of house
- any separately detached buildings e.g. garage, accommodation etc
- any adverse features or areas of deferred maintenance (with description)

2.4.3 Photographs taken by third parties should only be used in special circumstances, such as aerial or elevated photos, with the source of the photograph identified.

## 2.5 Title

2.5.1 An Historical Search Copy of the Computer Freehold/Interest Register (Certificate of Title) must be obtained as well as any relevant registrations and encumbrances that may impact on value or saleability of the subject property.

2.5.2 The Titles, including Supplementary Record Sheet (SRS), if applicable, are to be attached to the Valuation Report and should be searched on the Valuation Date, however this must not be older than 15 working days from the Valuation Date. The date of the Title Search must be displayed on any titles attached.

2.5.3 Where the Historical Search Copy does not include a plan, either a 'Search Copy' with the plan or a separate copy of the Deposited Plan should also be attached. An Historical Search Copy is required to ensure Section 2.15 is complied with.

Note: The Historical Search Copy shows all interests registered when the title was created and since.

- 2.5.4 Where a separate title for the subject property has not yet been issued, include an Historical Search Copy of the parent title (with a plan, as above) associated with the location of the proposed subject property and comment on any interests likely to be transferred onto the subject title when issued or are deemed to be relevant to the subject valuation assessment.
- 2.5.5 The value implications of any relevant registrations on the Computer Freehold/Interest Register must be explained. This includes relevant registrations on the SRS.
- 2.5.6 For properties that do not have Freehold tenure, the Valuation Report should include the following:

<i>Tenure</i>	<i>Requirements</i>
Leasehold	Review the Ground Lease document, and comment on: <ul style="list-style-type: none"> <li>• key terms of the lease including any renewal or expiry dates</li> <li>• date of next rental review</li> <li>• rental review mechanism</li> <li>• current contract and market ground rental (if applicable)</li> <li>• impact of tenure on saleability</li> </ul>
Unit Title	<ul style="list-style-type: none"> <li>• obtain copies of the Pre-Contract Disclosure Statement (if applicable), plus recent Body Corporate and any Special or Emergency Meeting Minutes, plus Body Corporate Budget. State the Body Corporate fees for the subject property</li> <li>• comment on issues that may affect value or future saleability (if known). Such issues may include outstanding maintenance, any maintenance plans, weathertightness, and any remedial issues</li> <li>• attach copies of relevant documentation to the Valuation Report, as appropriate</li> <li>• attach a copy of the Supplementary Record Sheet (SRS)</li> </ul>
Cross-lease	<ul style="list-style-type: none"> <li>• confirm the Title Deposited Plan (flats plan) reflects the situation on site.</li> <li>• comment on any variance and the impact this may have on saleability</li> </ul>
Company Title	<ul style="list-style-type: none"> <li>• sight a copy of the Company's Constitution (memorandum and articles of association) and Share Certificate</li> <li>• note any adverse restrictions, such as the rights to lease, restrictions on disposal</li> <li>• confirm the Shares provide for exclusive occupation of the subject unit.</li> <li>• ensure the valuation is clearly described as 'Shares in a Company Title Building'</li> <li>• include sales evidence that are company share transactions (where possible)</li> </ul>

## 2.6 Rating Value

- 2.6.1 Provide a summary of the subject property's current Rating Value, date of assessment, and apportionment between Improvements and Land components. Comment should be made if the Rating Value does not reflect the existence of the improvements in place. A Rating Value is not required where the subject title has not yet been issued.

## **2.7 Location & Services**

- 2.7.1 Include a locality map showing the subject property's location in relation to landmarks such as schools, shops and town/city centres.
- 2.7.2 Comment on the location, nature of the surrounding development and land use, proximity to urban centre and special features of the locality.
- 2.7.3 Identify whether the subject property has access to key services:
- water, mains, bore supply or on-site collection
  - electricity
  - gas, mains or bottled
  - sewerage, mains or on-site system
  - sealed all weather road access

## **2.8 Zoning/Resource Management**

- 2.8.1 Comment on:
- the Territorial Authority, the current and/or any proposed zoning (if applicable)
  - key feature of the subject property's zoning
  - a long narrative of the permitted activities in the zone is not required unless highest and best use is not the current use
  - any provisions within the zoning that may impact on the subject property's value such as heritage protection, protected trees, overland flows paths or non-complying use
  - if the subject property is designated for a future public work or in close proximity to a designated work comment on the status of the project and likely impacts
  - a statement about how the zoning impacts the potential use and saleability of the subject property
- 2.8.2 You must note any areas of apparent or potential non-compliance if known or in question.
- 2.8.3 You can add a statement that the subject property appears to comply with the zoning provisions, if you think this appropriate.

## **2.9 Site Description**

- 2.9.1 Identify key features of the site:
- land area
  - current use e.g. Vacant site, single dwelling etc.
  - shape
  - contour
  - outlook
  - aspect
  - position of the improvements on the site (if applicable)
  - any special features
- 2.9.2 Include an Aerial Photo showing the improvements and approximate site boundaries (if available). Comment if the aerial photo differs from the actual layout of the subject property. e.g. that the aerial photo was taken prior to the construction of the subject dwelling.

## **2.10 Improvements**

2.10.1 The Registered Valuer should describe the subject property's improvements including:

- gross building areas as measured or confirmed by the Registered Valuer. The Registered Valuer must state how the floor area was arrived at e.g. calculated off the plans or measured on site
- age of the improvements
- style of construction
- description of materials used in construction
- description of the layout
- description of amenities provided
- other site improvements
- chattels included

2.10.2 Describe in a separate section, the presentation of the improvements including:

- condition
- any essential repairs required and declare if none
- any recent additions/refurbishments/renovations

2.10.3 Appropriate consideration should be given by the Registered Valuer to:

- weathertightness of the improvements
- any building materials utilised in construction that may impact on value such as asbestos, Weatherside or the use of aluminium composite cladding
- flood prone areas or other natural risks apparent in the locality
- potential seismic performance of the improvements, (if applicable)

## **2.11 Occupational agreements**

2.11.1 If the subject property is subject to a commercial-style lease or would primarily appeal to the investor market, commentary is required on:

- current rental income
- cash flow sustainability and comments on over or under rented
- property outgoings

2.11.2 A more detailed discussion should be provided for tenancies that are not standard Residential Tenancies, such as Housing New Zealand leases.

## **2.12 Market Commentary**

2.12.1 The Registered Valuer is to provide a brief overview of what effect the macro economy at national and regional level has on the neighbourhood in terms of sales trends, demand and future saleability.

2.12.2 Commentary should extend to the detail of the local market, including types of dwelling and factors important to the local market (such as school zones or land zones)

## **2.13 Sales Evidence**

2.13.1 The sales evidence set out in the valuation shall:

- include a minimum of five confirmed\* sales, with a brief description, photograph (if possible) and reasons why the sale is 'inferior', 'comparable' or 'superior' to the subject property and state the 'Overall Comparability' (Inferior, Comparable or Superior).
- Ideally be within six months of the Valuation Date unless considered relevant (some older sales such as a nearby similar property may be of significant relevance)
- be of a similar type, location, age condition, size etc
- be within 20% (plus or minus) of the assessed market value
- (for new/to be built house and apartments) include sales evidence within and external to the subject development including newly built dwellings and houses that have previously been occupied

\* confirmed sales include transactions whereby the Registered Valuer has obtained prices from Real Estate Industry Body or third-party sales databases, has witnessed the sale at Auction, or has been advised of the sale by a solicitor.

2.13.2 Use a narrative and/or a table, as applicable, to reconcile the sales evidence. The sales evidence must be clear enough for the reader to reasonably reach the same value conclusion.

2.13.3 To help the reader understand the valuation, display the sales in the table in ascending order of sales price.

2.13.4 If the sales evidence does not meet these minimum requirements, clearly explain why this is the case.

## **2.14 Agent advised/Unsettled sales**

2.14.1 Unsettled sales and sales advised to the Registered Valuer by third parties can be included within the valuation report, however the report must note the source of the information and comply with the requirement to provide a minimum of five confirmed sales.

## **2.15 Current and Prior Sales**

2.15.1 The Registered Valuer is to note all previous Transfers of the subject property within the last three years, including the price and date if available. Comment on the relevance and/or the type of sale and any changes to the subject property or property market since the last Transfer occurred.

2.15.2 If the Registered Valuer is aware that the subject property is subject to a proposed purchase, the Registered Valuer must note this and the proposed purchase price, if known, in the valuation report. Ideally the Registered Valuer should request a complete copy of the Sale and Purchase Agreement, with the Registered Valuer noting any special conditions of sale and commenting on any material difference between sale price and Market Value.

2.15.3 The Registered Valuer must comment if the subject property is currently being formally marketed and any recent marketing history.

## **2.16 Value Assessment/Conclusion**

- 2.16.1 The Registered Valuer is to include details of the valuation rationale or approach used as well as explanations, calculations and the methodology used.
- 2.16.2 Any value assessment (a Land Value/Improvements Value split is not required where the subject property is one of a number of titles, one upon the other, in a unit title development) is to be apportioned between:
- Land Value
  - Improvements Value
  - Chattels Value
- Any assessment which includes chattels must show the chattels component. Include a brief description of the chattels assessed.
- 2.16.3 Where the Registered Valuer identifies that the subject property may be subject to a specific agreement involving a discounted or inflated purchase price which may have an implication to the mortgagee, the Registered Valuer shall provide a brief description of this encumbrance to value as well as provide an assessment of value with and without that encumbrance to value.

## **2.17 Mortgage Recommendation**

- 2.17.1 Do not make a numerical Mortgage Recommendation. The Mortgage Recommendation should focus on the subject property's suitability for mortgage lending and any specific or macro risk aspects that should be considered by the lender.
- 2.17.2 The Valuation Report must include a note that the reliant lender (as applicable) can rely on its contents for mortgage lending purposes.

## **Section 3: Different Types of Valuation**

This section sets out the requirements for valuation reports of the following property types:

- Construction Valuations
- Proposed Renovations and/or Alterations
- Progress Payment Reports
- Development Sites
- Two or Three Dwellings/Lots on One Title and/or Proposed Subdivision
- Likely Realisable Price Assuming Constrained Circumstances (LRPACC)

### **3.1 Construction Valuations**

- 3.1.1 Refer to Appendix for guidance over the type of valuation reporting that is required where a new house is being constructed or an existing house altered.
- 3.1.2 Recommended documents to sight as part of a construction valuation include:
- Council approved plans with dimensions and measurements
  - an executed building contract, and any variations
  - A schedule of proposed finishes and specifications
  - where a title has not been issued, in addition to title requirements, attach either a Draft Survey Plan with pre-allocated lot identifiers, a copy of the scheme plan that was lodged as part of the Resource Consent application or Developer's Plan showing where the proposed subject property will be positioned in the subdivision.

- proposed Body Corporate or Residents Society documents (if applicable)
  - if any of the above is not available, an explanation or Special Assumption outlining the limitations of the assessment is to be made
- 3.1.3 If the Construction Contract will provide for a dwelling that is not complete or requires owner supplied components or labour, this must be identified within the Valuation Report, with a likely cost to complete noted.
- 3.1.4 Photos/images to be included within the Valuation Report for construction valuations are:
- a photo of the land or site
  - photos that clearly show the state of building completion (if any) when you inspected the subject property.
  - an architectural perspective of the proposed improvements (if available)
  - floor plans, site plan and elevations of the proposed improvements
- 3.1.5 Valuations undertaken on houses to be erected or under construction should also include sales of vacant sections, even if the valuation is limited to provision of a Market Value 'As if Complete' assessment.
- 3.1.6 If construction has not yet started, the Registered Valuer should assess the Market Value 'As Is' (Market Value 'As if Complete' if the title has not issued) of the vacant site and the Market Value 'As if Complete' of the proposed finished development.
- 3.1.7 If development is already underway and a separate title for the subject property has been issued, an assessment of the Land Value is required and a Progress Payment as per Section 3.3 [Progress Payment Reports], should be included, unless specifically instructed not to. For turnkey valuations, the requirement for a Progress Payment or not should be verified with the VOS, or Valuation Orderer where there is no VOS involved, prior to proceeding with the valuation.
- 3.1.8 Enquiry should be made by the Registered Valuer before proceeding as to whether development has started or not.

## **3.2 Proposed Renovations and/or Alterations**

- 3.2.1 Refer to Appendix for guidance over the type of valuation reporting that is required where an existing house renovated and/or altered.
- 3.2.2 Follow the requirements of Section 3.1 [Construction Valuations], as applicable.
- 3.2.3 Unless otherwise instructed, if renovations and/or alterations are not yet underway, the Market Value 'As Is' and the Market Value 'As if Complete' should be assessed.
- 3.2.4 If renovations and/or alterations are already underway, the Market Value 'As if Complete' and a Progress Payment as per Section 3.3 [Progress Payment Report], should be included.

### 3.3 Progress Payment Reports

3.3.1 A Progress Payment Report should comprise two components:

- percentage of the proposed improvements complete
- the Estimated Cost to Complete

The original Market Value 'As if Complete' should be stated in any Progress Payment Report.

3.3.2 The Registered Valuer must:

- inspect the subject property internally and externally
- confirm the construction progress is in line with the building plans used to undertake the original valuation. Check measurements of the building should be undertaken by the Registered Valuer.
- include photos showing the stage of completion
- describe the improvements in place

3.3.3 The Registered Valuer should not issue the first Progress Payment Report before having received and reviewed:

- the executed Building Contract
- the agreed Schedule of Finishes and Specifications
- Council approved plans with dimensions and measurements, including Site Plan, Floor Plans and elevations

If any of the above documentation subsequently varies from that provided at your first valuation or progress valuation, a new assessment of the Market Value 'As if Complete' may be required. The Registered Valuer should consult with the VOS, or Valuation Orderer where there is no VOS involved, before proceeding.

3.3.4 When issuing a Final Progress Payment Report (sometimes referred to as a Completion Certificate), the Registered Valuer must:

- confirm whether the Registered Valuer has sighted the Code Compliance Certificate
- note any unfinished works and the likely cost to complete

3.3.5 Registered Valuers are reminded that for any Progress Payment Report, if it is anticipated that there will be any significant change in the value of the subject property between the Valuation Date (date of the original Market Value 'As if Complete' assessment) and the expected date of completion of the building works, this should be identified together with the reasons for the anticipated difference.

3.3.6 Should the quantum of the proposed improvements change during construction e.g. an original proposed garage is not now being constructed, an adjustment to the original Market Value 'As if Complete', as at the original Valuation Date, may be required. Any such change in assessment should be made after consultation with the VOS, or Valuation Orderer where there is no VOS involved.

3.3.7 An updated Market Value assessment taking into account the partially complete nature of the improvements, and/or any change in the market, is not required unless specifically requested.



### **3.4 Development Sites**

3.4.1 A property with development potential for four or more lots should only be considered under these Standing Instructions if it:

- does not have a Resource Consent for development into four or more lots/dwellings
- is readily saleable at the assessed Market Value to the broader market, appealing to owner occupiers, investors and developers equally and at similar prices
- can be valued by the Direct Comparison method and supported by sales evidence of standard residential properties (not development sites)
- is a standalone property, not relying on amalgamation with one or more sites (boundary realignments excepted)

3.4.2 A development site with potential for four or more lots should not be valued under these Standing Instructions when the subject property:

- appears capable of being subdivided prior to construction of improvements into four or more sites; or
- appeals only to the developer market and not to the end-owner market; or
- has an approved Resource Consent in place; or
- the highest and best use of the subject property is imminent development; or
- has development potential based on speculation of future zone change; or
- cannot be valued using the Direct Comparison approach using sales evidence of standard residential properties (instead requires, for example, a Hypothetical Development exercise)

### **3.5 Two or Three Dwellings/Lots on One Title and/or Proposed Subdivision**

3.5.1 When valuing two or three dwellings/lots on one title, you must:

- value the subject property as one holding and not assume individual titles
- describe the details of each dwelling separately (including accommodation, floor areas and car accommodation for each dwelling)
- provide a separate rental estimate for each dwelling (if required)

3.5.2 If you have been specifically instructed to provide individual assessments, you should:

- ensure that each value component is assessed as the Market Value 'As if Complete'
- obtain a copy of a proposed plan of the subdivision of the parent title to clearly identify the proposed lots
- also provide a Market Value 'As is', unless otherwise instructed

### **3.6 Likely Realisable Price Assuming Constrained Circumstances (LRPACC)**

3.6.1 In some instances, the Lender may require an assessment of the LRPACC under the Special Assumption that the sale of the subject property is likely to be forced, a mortgagee sale or similar. In this case the Registered Valuer must identify the likely constraints on the sales process, and the effect these constraints may have on realisable price. These factors may include:

- inadequate exposure to the market, an unreasonably short period in which to achieve a sale
- inappropriate sale method or marketing
- a vendor with a primary objective of recovering a loan rather than obtaining the market price
- purchasers being aware of the circumstances of the sale and the vendors compromised bargaining position
- lack of warranties about the condition of the subject property or the condition, or presence, of the chattels at settlement date

- the ability to obtain vacant possession at settlement date
- outstanding Body Corporate levies and fees
- Charging Orders, Caveats and any other registrations of relevance

3.6.2 The LRPACC should be provided in addition to Market Value within the Valuation Report.

3.6.3 If sales evidence is available of comparable properties sold under forced or constrained circumstances, these should be provided in support of the LRPACC.

## **Section 4: Registered Valuer Requirements**

### **4.1 Additional Registered Valuer Requirements**

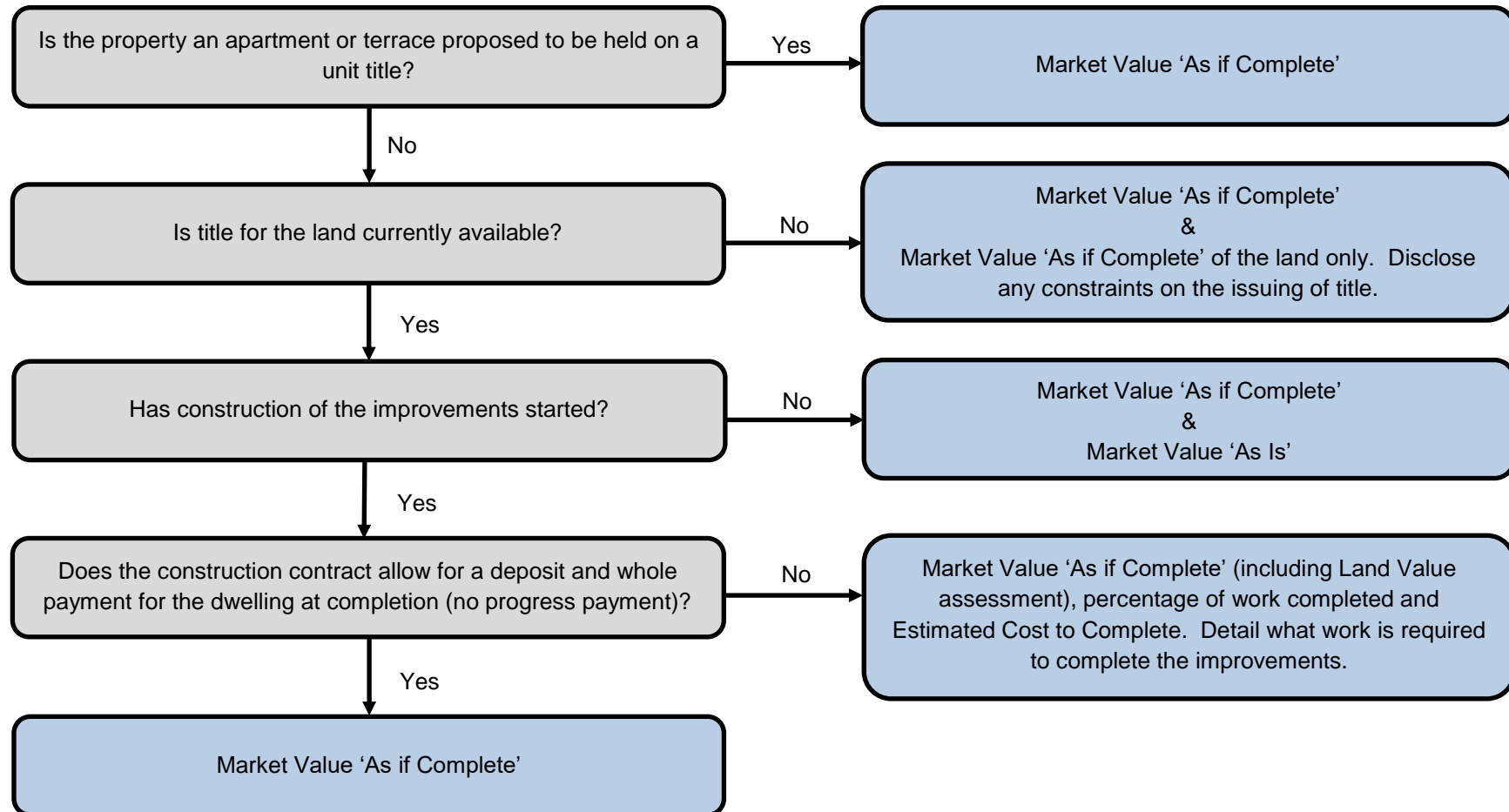
4.1.1 The Standing Instructions relate to standard residential properties only, as discussed within section 1.2. Other types of property may have further valuation requirements and enquiries with the lender or VOS should be made prior to commencing valuations on these forms of property.

4.1.2 The content of the Valuation Report remains the responsibility of the individual Registered Valuer.

4.1.3 The Standing Instructions represent the endorsing lenders requirements for Residential Valuation Reports prepared on their behalf. The Registered Valuer should always use industry best practice, sound judgement and common sense when preparing a Valuation Report.

## Appendix

### Valuation Process for construction of a new dwelling



**Valuation Process for an existing dwelling that is to be renovated and/or altered**

