NZVGN 3 VALUATION OF HOUSES UNDER CONSTRUCTION, AND HOUSES TO BE BUILT OR PREVIOUSLY UNOCCUPIED NEW HOUSES

The New Zealand Valuation & Property Standards Board issues the following guidance note to all members of the Property Institute of New Zealand and the New Zealand Institute of Valuers.

1.0 Introduction

1.1 This Guidance Note has been prepared for all members of the New Zealand Institute of Valuers involved in valuing houses under construction, houses to be built or previously unoccupied new houses.

2.0 Houses to be Built or Under Construction

2.1 When a valuation is being made assuming completion of the development, the valuer shall state in clear and concise language that the property has not yet been completed and that all values are based on the assumption that the property is or will be completed in accordance with the plans and specifications provided and the issuing upon completion of a Code Compliance Certificate by the territorial authority. The valuer should clearly establish the date to which the valuation applies. This would normally be the date of the report.

2.2 A valuation report prepared on a house partially completed, or on a proposed house prepared from plans and specifications, should describe in detail the nature of the building materials, accommodation, quality and nature of the fittings and finishes upon which the valuation is based.

2.3 Full details of any site works which are included in the valuation should be specified.

2.4 If it is anticipated that there will be any significant change in the value of the property between the date of the valuation, and the expected date of completion of the building works, then this should be set out together with the reasons for the anticipated difference.

2.5 The effect, if any, on saleability and value of the property as at the valuation date due to such matters as partially developed site improvements, uncompleted building works and such like should be taken into account and commented upon in the valuation report.

2.6 It is recommended that a valuation report which assumes the completion of a house and/ or site development which is either under construction or is to be built or developed should include clauses on the following basis:

"As at the date of inspection the proposed improvements were approximately __% complete. However, this report is based on the assumption that the house will be developed and completed according to the plans and specifications described herein and that the standard of construction is in accordance with that assumed within the report. It should be specifically noted that any significant deviation in respect of style, layout, design or construction standards would invalidate the value conclusions reached in this report."

"The values reported herein are based on data collected and reviewed as at the date *of* this report. The valuer assumes no responsibility for unforeseeable events that alter market conditions prior to the completion *of* the development."

3.0 Progress Payment Inspections

3.1 If a valuation is required *of* building works in progress it is incumbent on the valuer to verify that the work in progress conforms with the plans and specifications provided, including check measuring *of* the building(s).

3.2 The valuer should note in his/her valuation *of* "Work in Progress" not only the value of the work completed but also the estimated cost to complete the work in accordance with the plans and specifications.

3.3 Loose building materials, i.e. those not fixed in place, should not be included in the valuation *of* work completed. If the valuer considers it relevant, however, reference may be made to such loose building materials.

4.0 Final Payment Inspection

4.1 When requested to undertake a final inspection *of* the property the valuer should *refer* the client *to* the original valuation and date thereof, and *refer* to the client details of any work remaining to be done.

4.2 The valuer should inform the client as to whether the final balance of the monies outstanding may be released, *or* if a further retention should be made and the reasons why.

4.3 The valuer may wish to draw to the attention of the client prior to the final inspection being made *of* the importance of obtaining a Code Compliance Certificate.

4.4 The valuer should inform the client *of* the importance of obtaining a completed Code Compliance Certificate before releasing any final monies.

5.0 Valuation of Previously Unoccupied New Houses

5.1 Valuers should be aware that it is essential when valuing previously unoccupied new houses - either those completed *or* to be built - that consideration of comparable sales evidence should include not only similar new houses but also re-sales *of* similar properties.

5.2 Some new houses are offered for sale on finance terms favourable to the initial purchaser and this is often reflected in the initial purchase price. In addition the initial purchase price may reflect the building cost. The valuer should have regard *to* all such factors in determining *the* final value estimate.

5.3 The re-sale value *of* a house - particularly a previously unoccupied new property can be adversely affected by incomplete development of the property, whether the house itself or the site development.

5.4 Where the valuer considers that there is likely *to* be a significant difference between the value *of* anew house and its re-sale value in its same condition then this should be stated clearly in the valuation report, showing both value as a previously unoccupied new property and the re-sale value. The valuer should always comment *on* any differential between the purchase price new where known, and the assessed market value as a new house.

5.5 Where mortgage recommendations are provided the valuer should base such recommendation on the re-sale value *of* the property.

6.0 Duty of Care

Valuers are reminded of the duty of care and responsibility they owe to their client, mortgagees and third parties who may rely upon their valuations.

All enquiries should be addressed to:

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