

Preparing For Registration Graduates and Supervisors

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It wont be easy



Super Supervisors Vital



But we expect it will be worth it



Global
ID

BEST | **BOLD. EXPERT. STRONGER TOGETHER.**



Introduction

- Valuers Act 1948 is here to stay (well for the moment) & with it Registered Valuers. A strong & well respected brand that is embedded in our property system – long may this continue 😊
- Some BIG opportunities for the next generation of Valuers! That's You! - Carefully map out your registration journey with your supervisor – a partnership for success

Why are Valuers Critical

- Best performing world economies built on the strength & transparency of their property markets - Property is the basis for lending and growth – jobs for Kiwis!
- Valuation is a critical component of informed decision making – **Independence** - Valuers are busy in both rising & falling markets - What valuers do really matters!

Public Confidence Critical



Professional Robbers

- Need to stay relevant & valued or someone will steal our place – RE Agents, Accountants, AVM's & now AI



Supervisor Role

1. Set up a 3 year pathway programme with your graduate that you both adhere to
2. 6 monthly reviews and mark against a template of expectations for each part of a discipline
3. Encourage study groups & industry participation with peers
4. Ensure graduates attend relevant CPD - including Standards and Ethics
5. Test your graduates on their knowledge to meet the Board's criteria for registration

Graduate Role

- **Work for an employer that offers 1- 5**

Key Registration Components

- IVS 2017 & Australia & NZ Valuation & Property Standards 2009 (Reissued effective 1/1/2012)
- Code of Ethics 1996
- Registration Requirements Manual
- Legislation & Government Policies

Why IVS 2017

- NZ in a Global market – same valuation standard whether in Auckland, Amsterdam or Albania
- Standards drive credibility of our profession – not just a compliance exercise - **big part of exam now**, know them & ensure your **reports** comply
- If asked what valuation standards we use in NZ don't just say the current ones!

- Name the documents, history of past standards & what's on the horizon –Standards Committee A3 diagram?
- IVS 2017 ex 1 July 2017 –101 SOW; 102 Investigation & Compliance; 103 Reporting; 104 Bases of Value ; 105 Valuation Approaches & Methods

- Check you have a SOW for each job & that it covers detail in IVS 101- 20.3. SOW better than Report Disclaimers as agreed by both parties up front.
- IVS 103 – 20.3 Report sufficient for experienced valuation professional to review & understand:
 - Valuation bases and approach
 - Key inputs, assumptions, reason for conclusions

- IVS 105 Valuation Approaches & Methods
- **Only 3 Approaches - Market, Income & Cost**
- Market **Approach** (Sight Value + Net Rate are both market **Methods** not Approaches); Income Approach (Capitalisation of rent + DCF); Cost Approach (DRC)

- It's Market Value these days & **not Current** MV
- Can you average or weight your valuation conclusion based on outcomes of different Approaches or Methods? IVS105 – 10.4 & 10.6
- Can unconfirmed offers be used as evidence IVS 105 – 30.3 – YES subject to analysis

- NZ/Australia Valuation Standards 2009 effective 1 October 2009 (reissued 2012)
 - ANZPS 1 Compulsory Acquisitions still mandatory
- Guidance Notes (GN's) are mostly still relevant - GN's now becoming TIPS – what does this mean?
- Real Property (ANZVGN 1); Mortgage Recs.(ANZVGN2); NZRPGN2 Counter Signing

Code Of Ethics

- Code of Ethics - Read & understand it – NZIV (1996) & PINZ – what difference?
- Who signs off the NZIV COE?
- >30% complaints are ethics based

Registration Requirements Manual

- Registration requirements manual – Read & Highlight key parts - 20 reports with full workings and evidence that is linked to valuation answer IVS 103 Reporting 5(I)
- VRB want to see **reports that comply** with Standards & explain the methodologies used – **recent stumbling block for examinees**

Legislation & Govt. Policy

Government intervention
in the NZ Property
market has significantly
increased !
And more to come!



Legislation & Govt. Policy

- The Overseas Investment Amendment Act 2018 – ban on foreign buyers for existing residential property + Rural restrictions
- Reserve Bank – LVR's
- Healthy Homes Guarantee Act 2017 – residential tenancy compliance by 1 July 2024

Legislation & Govt. Policy

- Tax Working Group – New tax options for 2020 Election - Bright Line Test increased to 5 Years
- Seismic Zone Codes
- District Plan flood protection ordinances
- New Ministry of Housing & Urban Development

Registration Criteria

First time pass rate 75%

Was 80% - but report compliance issues!

VRB not there to fail applicants - has a reasonable level of competence been achieved?



Registration Cycle

- Preparation
- Education
- Application
- Examination

Preparation

- Valuation specialist area(s) – type/location
- Planning & Employer commitment
- Reports – Mostly recent – range of valuations for property type – SOW's & IVS referenced – local market comments – check title memorials

- If used 2 or more valuation methods show answer for each and reconcile to final valuation eg Sight Value & Net Rate
- **As You Analyse, So You Value** - link evidence to valuation - If based on net rate then put detail of this in the report – **check that your analysis & valuation conclusion make sense**

Does Report Make Sense?

ARE YOU DRUNK?

☐ YES

☐ NO

X

- Range of net rates on house – what most comparable & why; why you chose X \$m² net rate from a range
- Range of rentals; cap rates
- Use of Superior/Inferior/Comparable still useful if brought together in a summary narrative
- Land Value >50% - need comparable land sales

- Academic & Practical criteria – if rural then need rural qualifications – if Commercial/Industrial need the relevant qualifications
- Range of experience – know the methodologies, case law & Standards & TIPS applicable
- Quality mentors

- Study groups etc – applicants from study groups do better – use initiative to set up a group– Board want solutions not problems
- Role play with employer/mentor –mock interview video to see your mannerisms - Get used to sound of your own voice

- Record of CPD – Where, Who, when, What about
 - explain key messages & learnings & how you apply learning's in your day to day work – start today what are the 5 key things I've learnt from this presentation
- Standards & Ethics module recommended

Application

- Confidence – Are you ready? - 3 years work experience – can apply to VRB for credits
- Apply for Registration

Application

- Referees – VRB scrutinise references – do they support you? - Employer attendance at exam welcomed

Examination

- VRB uses an Exam Scoring Matrix
- Time allocation – 1 hour to prepare 3 scenario question answers – then oral Exam (2 hours)
- Valuation principles – demonstrate technical knowledge – be passionate - showcase last 6 years learning's



**CAN'T SOMEONE ELSE
JUST DO IT?**

Examination

- Commentary on both general & local market conditions – know NZ economic story & your regions story - Macro & Micro – OCR, LVR's, Tourism, Dairying, Migration, Employment, \$ etc
- Market overview – in your **expert** area know all relevant facts thoroughly ie sales volumes, prices, supply/demand, rents, vacancy etc

Examination

- Case law – Principles more than the story – Common Law development – examples of how you apply case law in daily work – PINZ case notes
- Case law study tip - Get someone to voice record the case notes for you then play them back (regularly)

Examination

- Insurance – where modal & multiples come from, law of diminishing value, Inflation provisions CPI v Bldg inflation, use of part year inflation, demolition approach not always a multiple look at physical risks - loss may occur last day of policy
- Case Law - Falcon Case – 2 types of Indemnity

- Time value of money – Discount Rate vs Capitalisation Rate – 4 factors in DR. Risk free rate, inflation, asset type, specifics of the property – lease term, condition etc
- Rent Review –dispute resolution processes – Mediation – Conciliation – Arbitration – Expert Determination? Valuer's obligations under each

- Residential sales analysis; $LV + VI = CV$
- Rural – Land Use issues – RMA – Land & Water Management Plans - Irrigation schemes & Nutrient discharge issues; Impact of Foreign Buyer restrictions; Dairy Pay-out/ Fonterra Auctions

Examination

- Hypothetical Subdivision – Plan of development, Profit & Risk, GST, Realisation period, Case Law, Interest on outlay (what does Opportunity Cost mean?)

Construction

- Residential knowledge of house ages (Villa, Bungalow etc), building components (hip roof, skirting, lintel, architrave, mullion (not lotto prize)& materials– go on a building site!

Characteristics of Leaky & Earthquake Prone

- Commercial & Industrial – building services & materials (both inside & out) – know your office ceiling!

Keep Learning & Checking



Conclusion

- Supervisors & Graduates plan together for a successful registration journey
- Political landscape affecting NZ property
- Practice your role play for the exam
- Know your standards, ensure reports comply - good luck for registration then onto ANZIV