

Property Institute Standards



Agenda

- **Why do we have Standards?**
- **The Link to the Standards**
- **Valuation Processes from a Standards prospective**
- **IVS Refresh:**
 - IVS Framework
 - IVS 101 Scope of Works
 - IVS 102 Investigation and Compliance
 - IVS 103 Reporting
 - IVS 104 Bases of Value
 - IVS 105 Valuation Approaches and Methods
 - IVS 400 Real Property Interests
 - IVS 410 Development Property
- ***New and Revised TIPS:***
 - ANZVTIP 1 Retrospective Valuations
 - ANZVTIP 5 Valuation of Self Storage Facilities
 - ANZVTIP 6 Valuation of Partial Interests in Property Held within Co-ownership Structures
 - ANZVTIP 7 Valuation of Accommodation Hotels
 - NZVTIP 3 Valuation Report Prepared by Unregistered Valuers
 - ANZRPTIP 4 Development Management
 - ANZRPTIP 5 Preparing a Property for Sale

Why do we have Standards?



Why we have Standards?

- Standards are an essential part of any profession and without them and their use any profession will not have credibility. They provide for:
 - ***Transparency***
 - Both you and your clients can see what, why and how a valuation was completed.
 - ***Accountability***
 - Both you and your clients can objectively review the process used and results.
 - ***Interoperability***
 - Clients know that regardless of where they are operating, they are dealing with same common framework.

Why we have Standards (Cont.....)

- To ensure concepts such as Market value & Fair value are consistently applied
- Provides financial information to users that are comparable & consistent across international borders
- To assist with Financial Reporting
- Banking risk management
- Public protection

Why International Standards?

- **The Property Industry is now a global business.**
 - International purchasers and Financiers expect and demand that professions have a common set of global standards
 - Domestic clients now think globally and expect professions to follow International Standards as best practice

Guidance Notes and Technical Information Papers

- GN's and TIP's have the same status.
- Neither has hierarchy over the other.
- TIP's is a naming convention introduced by IVS.
- API and PINZ are revising and renaming GN's to TIP's.
- IVS has now withdrawn all tips

The Link to PINZ Standards

- As a member of PINZ and / or NZIV you are required to comply with Standards.
- To be compliant you must adhere to IVS as adopted by PINZ / NZIV.
- Any departure must be documented and agreed.
- NZIV and PINZ adopted IVS 2017 effective 1 July 2017
- Guidance Notes and TIPS are designed to provide additional guidance specific to NZ.

Where can I find the Standards?

- A link to the Standards can be found under “Ethics, Standards & Knowledge Base” on the Institute website.
- A history of when the standards changed can also be found there.
- You can purchase a hard copy of IVS 2017 from <http://ivsc.org>

The Web Site

- <https://propertyinstitute.nz/>

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Ethics, Standards & Knowledge Base

The Property Institute is a recognised and respected not-for-profit membership-based organisation, which maintains ethical and industry standards, as well as offering relevant and topical Continuing Professional Development, research, information, publications and online resources for property professionals.

Over time, expect significant growth, and regular additions to this database.

Ethics and Conduct

[View all >](#)

International Valuation Standards
2017 Effective NZ 1 July 2017
(Mandatory)

[View all >](#)

API/PINZ Valuation & Property
Standards (Mandatory)

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Australia and New Zealand
Valuation and Property Standards

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International Valuation Standards (IVS)

Definitions	IVS Definitions				
Framework	IVS Framework				
General standards	IVS 101 Scope of Work	IVS 102 Investigations and Compliance	IVS 103 Reporting	IVS 104 Basis of Value	IVS 105 Valuation Approaches and Methods
Asset Standards	IVS 200 Business and Business Interests	IVS 210 Intangible Assets	IVS 300 Plant and Equipment	IVS 400 Real Property Interests	IVS 410 Property Development
	IVS 500 Financial Instruments				

Australia and New Zealand (ANZ) Valuation and Property Standards

Definitions	Introduction to Valuation and Property Standards	
Fundamentals	Code of Ethics	
Practice Standards	ANZPS 1 Valuations for Compulsory Acquisition	<div> <div>✓</div> <div>×</div> <div>?</div> <div>?</div> </div> <div> <div>Additions</div> <div>Withdrawn</div> <div>Probable Additions/Amendments</div> <div>Probable Withdrawals</div> </div>

Australia and New Zealand (ANZ) Valuation and Property Standards (continued)

ANZ Valuation Guidance Notes and Technical Information Papers	ANZVGN 1 Valuation Procedures for Real Property	ANZVGN 2 Valuations for Mortgage and Loan Security Purposes	ANZVGN 4 Valuation for Rating and Taxing	ANZVGN 5 Valuations for Compulsory Acquisitions	ANZVGN 6 Valuation of Accommodation Hotels
	ANZVGN 7 Valuation of Partial Interests in Property Held within Co-ownership Structures	ANZVGN 8 Valuations for Use in Offer Documents	ANZVGN 9 Assessing Rental Value	ANZVGN 11 Valuation of Self Storage Facilities	ANZVTIP 1 Retrospective Valuations <small>Revised 1 July 2019</small>
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	ANZRPNG 1 Disclaimer Clauses and Qualification Statements	ANZRPNG 3 Leasing Incentives	ANZRPNG 4 Methods of Measurement	ANZRPNG 5 Feasibility Studies	ANZRPNG 6 Due Diligence
ANZ Real Property Guidance Notes and Technical Information Papers	ANZRPNG 7 Property Insurance Management	ANZRPNG 8 Preparing Property for Sale	ANZRPNG 9 Property Development, Management and "Terms of Appointment"	ANZRPNG 10 Leasing Agent Services	ANZRTIP 1 Acting as an Expert Witness
	ANZRTIP 2 Property Advisors	ANZRTIP 4 Development Management	ANZRTIP 5 Preparing a Property for Sale		
	NZRPNG 1 Valuation of Contaminated Land	NZRPNG 2 Countersigning of Valuation Reports Prepared by Unregistered Valuers			

What has changed?

- **Effective 1 January 2018**
 - NZVTIP 2 Valuations of Real Property, Plant and Equipment for Use in New Zealand Financial Reports replaced NZVGN 1.
 - ANZVTIP 9 Market Value of Rural and Agribusiness Properties replaced ANZVGN 10

What is changing?

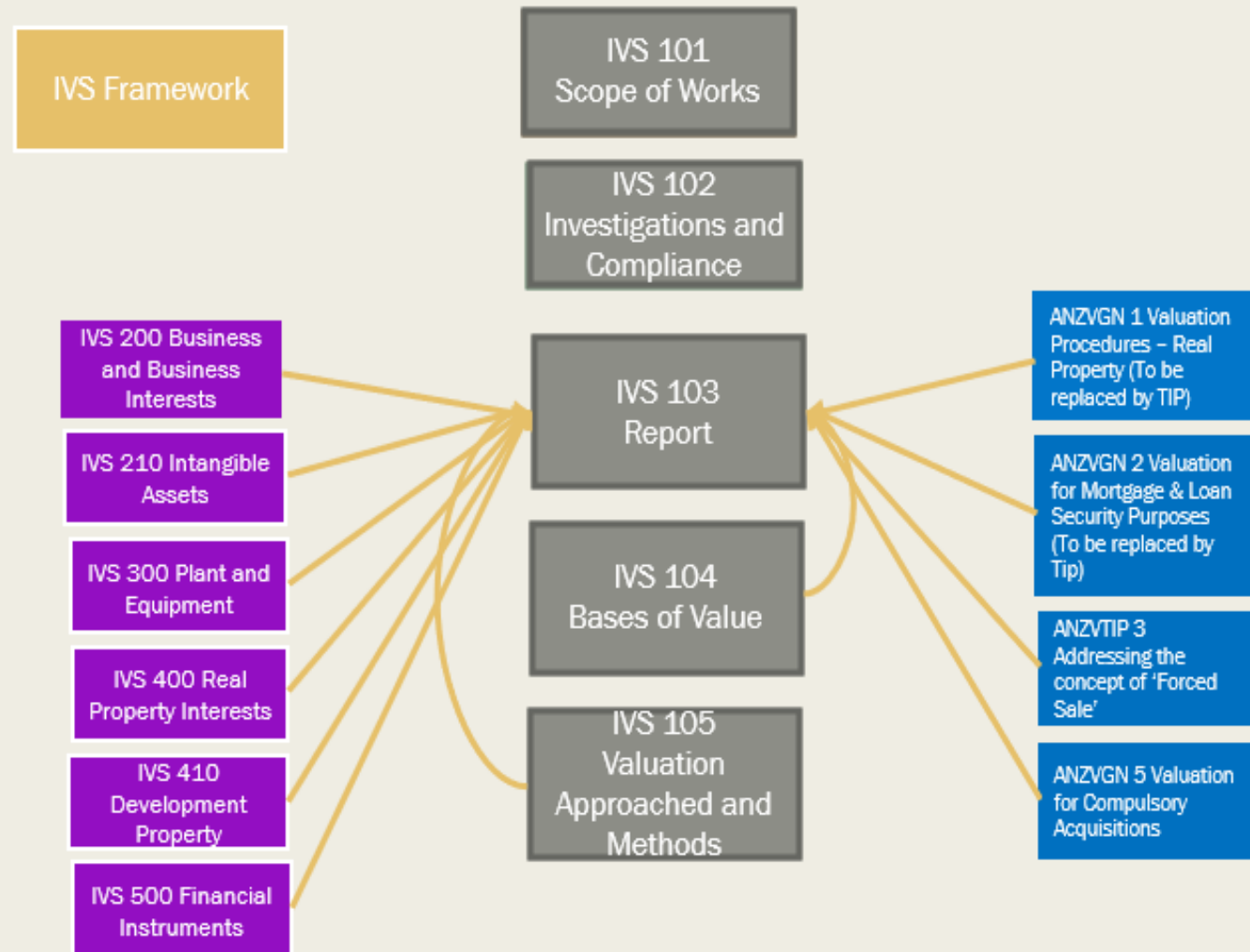
■ Effective 1 July 2019

- ANZVTIP 1 **Retrospective Valuations** revised and reissued.
- ANZVTIP 5 **Valuation of Self Storage Facilities** replaces ANZVGN 11.
- ANZVTIP 6 **Valuation of Partial Interests in Property Held with in Co-ownership Structures** replaces ANZVGN 7.
- ANZVTIP 7 **Valuation of Accommodation Hotels** replaces ANZVGN 6.

What is changing? (Cont.....)

- **Effective 1 July 2019**
 - **NZVTIP 3 Valuation Reports Prepared by Unregistered Valuers** replaces NZPRGN 2.
 - **ANZRPTIP 4 Development Management** replaces ANZRPGN 9.
 - **ANZRPTIP 5 Preparing a Property for Sale** replaces ANZRPGN 8.

Valuation Process from a Standards Perspective



International Valuations Standards 2017 Introduction

- The objective of IVS is to increase the confidence and trust of users of valuation services by establishing transparent and consistent valuation practices.
- The focus is on building confidence and public trust by producing standards and securing their universal adoption and implementation for valuation assets.
- The IVS consist of mandatory requirements that **must** be followed in order to state that a valuation was performed in compliance with IVS.
- Certain aspects of the standard do not direct or mandate any particular course of action but provide fundamental principles / concepts that **must** be considered.

IVS Glossary

- The glossary defines certain terms used in the International Valuation Standards.
- Of note are the following:
 - May**
 - The word “may” describes actions and procedures that valuers have a responsibility to consider.
 - Must**
 - The word “must” indicates an unconditional responsibility.
 - Should**
 - The word “should” indicates responsibilities that are presumptively mandatory.

IVS Framework

- **Purpose** – This serves as a preamble to the IVS. The IVS Framework consists of general principles for valuers.
- **Compliance with Standards** – if you state that a valuation has been completed in accordance with IVS, then it is implicit that the valuation has been prepared in accordance with these standards.
- **Assets and Liabilities** – the standards apply to the valuation of both assets and liabilities and include groups of both
- **Valuer** – individual or firm possessing the necessary qualifications, ability and experience to undertake a valuation in an objective, unbiased and competent manner
- **Objectivity** – requires the valuer to make impartial judgements on inputs and assumptions
- **Competence** – valuations must be prepared by a individual or firm that has appropriate technical skills, experience and knowledge to undertake the subject valuation
- **Departures** – a circumstance where specific legislative, regulatory or authoritative requirements must be followed that differ from some of the requirements of IVS. A valuer may still state compliance, however the nature of the departure needs to be identified.

IVS 101

Scope of Work - Overview

- A scope of work (or terms of engagement) describes the fundamental terms of a valuation engagement.
- This applies to both valuations and valuation reviews.
- All valuation advice and work undertaken must be appropriate for its intended use.
- A valuer must ensure that intended recipients understand what is to be provided and any limitations on its use before it is finalised and reported.

IVS 101

Scope of Work - Communicate

- **A valuer must communicate the scope of work to its client prior to completion of the assignment including the following:**
 - Identity of the valuer and any material connection must be disclosed
 - Identity of the Client
 - Identity of other intended users
 - Assets being valued must be clearly identified
 - The valuation currency
 - The purpose of the valuation which typically determines the basis of value
 - Define the basis of value which must be appropriate for the purpose

IVS 101

Scope of Work - Communicate

- Valuation date
 - Nature and extent of work
 - Nature and source of information relied upon
 - Any significant assumptions and/or special assumptions
 - The type of report being prepared
 - Any restrictions on use, distribution and publication
-
- A written SOW may not be necessary. However, since valuers are responsible for communicating the SOW to the client, a written SOW should be prepared.
 - Changes to the SOW may occur during the valuation process. Any changes made over time must be communicated to the client before the assignment is completed and the valuation report is issued.

Scope of Works - Necessary?

- If you want to be compliant – Yes
- If you state, you comply – Yes
- If you are a member of PINZ and/or NZIV – Yes
- Therefore IVS binding on NZ members

Why have a Scope of Works?

- Because there are many **different types** and **levels of valuation advice**.
- A Scope of Works ensures the **advice** is **appropriate for purpose**.
- It ensures the **output** is **appropriate** for the **intended use**.
- It clearly **identifies** what will be provided.
- It **identifies key assumptions** critical to the valuation.
- Limits use and/or circulation.

How do we agree the Scope with clients?

- Your clients will be quite conversant with signing Terms of Engagement with a range of professionals and service providers from lawyers and accountants to vehicle repairs and service.
- The Scope is simply an extension of your TOE. Many clients will require you to provide TOE.
- It requires some client education – if you state you must have a Scope your clients will understand.
- They may even believe you are being more professional. Scope can be generated easily and sent electronically.

Scope of Works & Terms of Engagement

- **IVS 101 Scope of Works** becomes part of the Contract detailing the asset you are valuing, on what basis, identifies the client, agrees who will provide information, certifies valuer objectivity and competence, compliance with standards and key assumptions.
- Your **Terms of Engagement** covers your business association with your client – how much you will be paid, when you will be paid, your liability and any other business matters.
- Both “Contracts” need to be agreed to ensure both parties understand what is being provided and your respective responsibilities.
- If the scope of the instruction changes you must revise and update the scope of works. Avoid ‘Scope Creep’.

IVS 102

Investigations and Compliance

- **General Principle** – to be compliant with IVS, valuation assignments, including valuation reviews, must be conducted in accordance with all the principles set out in IVS that are appropriate for the purpose and the terms & conditions set out in the Scope of Works.
- **Investigations** – investigations made during the course of the assignment must be appropriate for the purpose of the valuation and basis of value.
- Sufficient evidence must be assembled with the extent of evidence required determined by valuer judgement for the purpose of the valuation.
- Limits may be agreed on the extent of valuers investigations and noted in the SOW.

IVS 102

Investigations and Compliance

- Information provided to the valuer by other parties should be considered in terms of credibility – significant inputs may require consideration, investigation and/or corroboration.
- In considering credibility and reliability of information provided valuers should consider:
 - The purpose of the valuation
 - Significance of the information on the valuation conclusion
 - Independence and expertise of the source of information
- Valuation Record – must retain a record of key inputs, all calculations, investigations and analysis relevant to the final conclusion and a copy of any draft or final report provided to the client.

IVS 103 Reporting

- It is **essential that the report must communicate** the information necessary for a proper understanding of the valuation or valuation under review
- The report must set out a clear & accurate description of the scope of the assignment, its purpose and intended use (including any limitations on use), and disclosure of any assumptions, special assumptions, significant uncertainty or limiting conditions that directly affect the valuation.
- Content will be determined by purpose, complexity and users' requirements. The format of the report should be agreed as part of establishing the scope of work.
- Compliance does not require a particular form or format of report however the report must be **sufficient to communicate to the intended users the scope of the assignment**, the work performed, and the conclusion reached.
- The report should also be sufficient for an appropriately experienced valuation professional, with no prior involvement with the valuation, to review the report and understand it.

IVS 103 Reporting

- **The report must convey, at a minimum:**
 - The scope of work applicable to the assignment
 - The approach or approaches adopted
 - The methods or methods applied
 - The key inputs used
 - Assumptions made
 - Conclusions of value and principal reasons for conclusions reached, and
 - Date of the report (which may differ from the valuation date).

IVS 104

Bases of Value

- Compliance with this mandatory standard requires a valuer to select the appropriate basis (bases) of value and follow all applicable requirements associated with that basis of value
- Bases of value describe the fundamental premise on which the reported values will be based.
- IVS defined bases of value;
 - Market Value (section 30),
 - Market Rent (section 40),
 - Equitable Value (section 50),
 - Investment Value/Worth (section 60),
 - Synergistic Value (section 70), and
 - Liquidation Value (section 80).
- Other bases of value –
 - Fair Value (International Financial Reporting Standards)
 - Fair Market Value
- Valuers must choose the relevant basis according to the terms and purpose of the valuation. It must be appropriate purpose of the valuation.

IVS 104

Bases of Value

■ **Premise of Value/Assumed Use -**

A premise of value or assumed use describes the circumstances of how an asset or liability is used. Common Premises of Value include:

- Highest and best use,
- Current Use/Existing Use,
- Orderly Liquidation,
- Forced Sale (Note in New Zealand the term Likely Realisable Price Assuming Constrained Circumstances is used)

IVS 104

Bases of Value

■ Assumptions and Special Assumptions

- In addition to stating the bases of value, it is often necessary to make an assumption or multiple assumptions to clarify either the state of the asset in the hypothetical exchange or the circumstances under which the asset is exchanged assume to be exchanged. Such assumptions can have a significant impact on value.

■ Assumptions generally fall into one of two categories.

- assumed facts that are consistent with, or could be consistent with those existing at the date of valuation, and
- assumed facts that differ from those existing at the date of valuation

IVS 105 Valuation Approaches and Methods

- **The principle valuation approaches are:**
 - Market approach,
 - Income approach, and
 - Cost approach.
- The goal in selecting valuation approaches and methods for an asset is to find the most appropriate method under the particular circumstances.
- Consider the appropriate bases of value and premise of value determined by the terms and purpose of the valuation.

IVS 105 Valuation Approaches and Methods

- Consider the respective strengths and weaknesses of possible valuation approaches and methods.
- Consider the appropriateness of each method in view of the nature of the asset and the approaches or methods used by participants in the relevant market,
- Consider the availability of reliable information needed to apply the methods.

IVS 400 Real Property Interests

- Scope of Work – Must describe the real property interest to be valued. To comply with IVS 101 and 102 the following must be considered:
 - Evidence required to verify the real property interest and relevant related interests.
 - Extent of any inspection.
 - Responsibility for information on site area and building areas.
 - Responsibility for confirming the specification and condition of the building.
 - Extent of investigation into the nature, specification and adequacy of services.
 - Existence of any information on ground & foundation conditions.
 - Responsibility for the identification of actual or potential environmental risks.
 - Legal permissions or restrictions
 - Consider Special Assumptions – Value as if complete, Building Leased, Free from Contamination etc

IVS 400 Real Property Interests

■ Bases of Value

- Valuer must select appropriate bases of value. Must also consider the highest and best use of the asset which may differ from its current use.
- Determining the highest and best use is particularly important for real property interests which can be changed from one use to another or that have development potential.

■ Valuation Approaches:

- **Market** – In order to compare the subject with other real property interests, valuers should adopt a suitable unit of comparison.
- The unit of comparison should be one commonly used by participants in the relevant market.
- In comparing the property and transaction with the property being valued, specific differences which should be considered include but are not limited to:
 - The type of interest
 - Location
 - Quality
 - Zoning
 - Circumstances
 - Date and
 - Market conditions

IVS 400 Real Property Interests

■ Valuation Approaches - Cont.....

- **Income** – Various methods are used to indicate value under the general heading of the income approach, all of which share the common characteristic that the value is **based upon an actual or estimated income** that either is, or could be, generated by an owner of the interest.
- **The direct capitalisation** (all risks yield method) of various forms of discounted cash flow models may be used. The yield or discount rate should be derived from market transactions.
- **The discount rate** may be established by a built-up approach from a typical “risk free” rate adjusted for the additional risks and opportunities specific to the particular property if there is limited market evidence.

IVS 400 Real Property Interests

■ Valuation Approaches - Cont.....

- **Cost** – In applying the cost approach, valuers must follow the guidance Contained in IVS 105 Valuation Approaches and Methods.
- It may be used as a **primary approach when there is either no evidence of transaction prices or no identifiable actual or notional income stream.** May also be used as a secondary or supporting approach.
- Normally based on the cost of the modern equivalent at the date of valuation. The cost approach must reflect incidental costs such as the value of the land, infrastructure, design fees, finance costs and developer profit that would be incurred in creating an equivalent asset.
- Adjustment is then made for obsolescence considering physical condition, functionality and economic utility.

IVS 400 Real Property Interests

- **Special Considerations** for Real Property Interests – A non-exhaustive list of topics relevant to the valuation of real property interests.
- **Hierarchy of Interests** – The different types of real property interests are not mutually exclusive. When valuing a real property interest is therefore necessary to identify the nature of the rights accruing to the holder of that interest and reflect any constraints or encumbrances imposed by the existence of other interests on the same property.
- **Rent** – Market rent is addressed as a bases of value in IVS 104 Bases of Value.
- **When valuing** either a superior interest that is subject to a lease or an interest created by a lease, valuers must consider the Contract rent and in cases where it is different, the market rent.

IVS 410

Development Property

- **Development properties** are defined as interest where redevelopment is required to achieve the highest and best use, or where improvements are either being completed or are in progress at the valuation date and include:
 - the construction of buildings,
 - previously undeveloped land which is being provided with infrastructure,
 - the redevelopment of previously developed land,
 - the improvement or alteration of existing buildings or structures,
 - land allocated for development in the statutory plan, and;
 - land allocated for higher value uses or higher density and a statutory plan.

IVS 410 Development Property

■ Bases of Value:

- A valuer must select the appropriate bases of value when valuing development property.
- The valuation of development property often includes a significant number of assumptions and special assumptions regarding the conditional status of the project when complete. As required by IVS 101 Scope of Work, significant assumptions and special assumptions used in the valuation must be communicated to all parties to the valuation engagement and must be agreed and confirmed in the scope of work.

IVS Other Asset Standards

- Remember to consider and review and reference where necessary other IVS Asset Standards as these standards may apply there may also be cross over in certain situations.
 - IVS 200 Business and Business
 - IVS 210 Intangible Assets
 - IVS 300 Plant and Equipment
 - IVS 500 Financial Instruments

NZVTIP 2

Valuations of Real Property, Plant and Equipment for use in New Zealand Financial Reporting

- **NZVTIP 2 operative – 1 January 2018**
 - No longer separate IVS guidance on Financial Reporting
 - IVS has changed the term Fair Value to Equitable Value and that now has a broader meaning, e.g. includes matters disregarded in market value.
 - Fair Value in NZ is IFRS Fair Value; “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Fair Value is generally consistent with market value

Case Study: Residential Mortgage Valuation

- You are a Registered Property Valuer required to value a 3-bedroom residential property.
- What Standards, Guidance Notes and TIPs do you need to use?
- What else do you need to know and what documents should you provide to the client?



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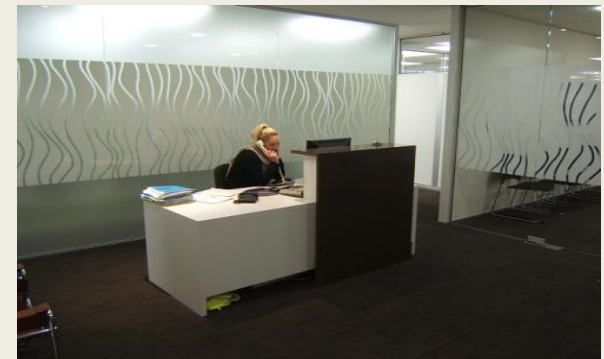
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Case Study - Answer

- ☐ **IVS Framework Fundamentals**
- ☐ **IVS 101 Scope of Work**
- ☐ **IVS 102 Investigations and Compliance**
- ☐ **IVS 103 Reporting**
- ☐ **IVS 104 Bases of Value**
- ☐ **IVS 105 Valuation Approaches and Methods**
- ☐ **IVS 400 Real Property Interests**
- ☐ **ANZVGN 1 Valuation Procedures – Real Property**
- ☐ **ANZVGN 2 Valuation for Mortgage and Loan Security Purposes**
- ☐ **ANZRPGN 1 Disclaimer and Qualification Statement**
- ☐ **NZVTIP 1 Goods and Services Tax (GST) in Property**
- ☐ **Guide for Measurement of Residential Properties**

Case Study Commercial Building

You are a Registered Property Valuer required to value a multi-storey office building in a strong suburban centre. Approximately 80% of the building is tenanted. You are required to undertake a valuation for financial reporting and mortgage finance purposes and have enlisted the help of an unregistered valuer in your firm to assist?



Question: What Standards, Guidance Notes and TIPS apply?

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NZ Valuation Guidance Notes and Technical Information Papers	NZVGN 3 Valuation of Houses under Construction and Houses to be Built or Previously Unoccupied houses	NZVTIP 1 Goods and Services Tax (GST) and Property	NZVTIP 2 Valuations of Real Property, Plant and Equipment for Use in New Zealand Financial Reports	NZVTIP 3 Valuation Reports Prepared by Unregistered Valuers	
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	ANZRPGN 7 Property Insurance Management	ANZRPGN 8 Preparing Property for Sale	ANZRPGN 9 Property Development, Management and "Terms of Appointment"	ANZRPGN 10 Leasing Agent Services	ANZRPTIP 1 Acting as an Expert Witness
	ANZRPTIP 2 Property Advisors	ANZRPTIP 4 Development Management	ANZRPTIP 5 Preparing a Property for Sale		
	NZRPGN 1 Valuation of Contaminated Land	NZRPGN 2 Countersigning of Valuation Reports Prepared by Unregistered Valuers			

Case Study - Answer

- ☐ IVS Framework Fundamentals
- ☐ IVS 101 Scope of Work
- ☐ IVS 102 Investigation and Compliance
- ☐ IVS 103 Reporting
- ☐ IVS 104 Bases of Value
- ☐ IVS 105 Valuation Approaches and Methods
- ☐ IVS 400 Real Property Interests
- ☐ ANZVGN 1 Valuation Procedures – Real Property
- ☐ ANZVGN 2 Valuation for Mortgage and Loan Security Purposes
- ☐ ANZVGN 9 Assessing Rental Value
- ☐ ANZRPGN 1 Disclaimer and Qualification Statement
- ☐ ANZRPGN 3 Leasing Incentives
- ☐ ANZRPGN 4 Method of Measurement (but refer NZ Guide)

Case Study - Answer

- ☐ NZVTIP 2 Valuations of Real Property, Plant and Equipment for use in New Zealand Financial Reports
- ☐ NZVTIP 3 Valuation Reports Prepared by Unregistered Valuers (as at 1 July 2019)

NZPS 1

Valuations

for

Compulsory

Acquisitions

■ 2 The Members Role

■ 2.1 Advocate

- A valuer shall not act as an advocate and an expert in the same matter. A valuer acting as an advocate and not an expert must disclose the capacity in which they are working to all parties. A non-valuer member of the Institute may act as an advocate subject to the proper professional practice in conducting negotiations on a client's behalf. (effective 1 July 2017)

ANZRPTIP 1

Acting as an Expert Witness

■ Effective July 2015

- Overriding purpose of an expert witness is to work to achieve the just, quick and least expensive resolution of the real issues in the proceedings (ANZRPTIP 1, 1.5)
- Duties of an Expert Witness - The most important is the duty to the Court and is to be treated as a paramount and overriding duty . The expert is not an advocate for a particular party .
- Code of Conduct: be aware Judicature Act 1908 of New Zealand Code of conduct for expert witnesses.

ANZVTIP 9

Market Value of Rural and Agribusiness Properties

- **Effective 1 January 2018**
 - Purpose – To provide advice to Members undertaking valuations of any rural or agribusiness property for any purpose.
 - Valuations of rural and agribusiness properties should only be undertaken by suitably qualified and experienced valuers.
 - The Valuer must understand the unique nature of agricultural productive factors, commodity markets, production practices, and cycles in the market region.

ANZVTIP 1

Retrospective

Valuations

(Draft)

■ Revised TIP to become effective 1 July 2019:

- What has changed?
- The "Definitions" which are now referred to as "Terms" have been extended and refined.
- The terms "Valuation Review" and "Valuation Reviewer" are IVS terms.
- Valuation Review - the act or process of considering and reporting on a valuation undertaken by another party, and which may or may not require the reviewer to provide their own valuation opinion.
- Valuation Reviewer - as a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.

ANZVTIP 1

Retrospective

Valuations

(Draft)

■ 3.0 Retrospective Valuation this is now defined as:

- A valuation completed where the date of valuation is in the past is a retrospective valuation. Depending on the circumstances, the valuation will be informed using information that was or could only have been known or available at the date of valuation but in some cases by information that become available subsequently.

ANZVTIP 1

Retrospective Valuations

(Draft)

■ 4.0 Key Principles When Instructing Valuers

- When receiving instructions to complete a retrospective valuation care must be taken to identify the purpose of the valuation. This will dictate the use of information known subsequent to the retrospect valuation date.
- A member must operate within the limits of his or her qualifications and experience and must only accept instructions in the field of practice that he or she possesses sufficient knowledge and skill.
- When receiving instructions you must comply with IVS 101 Scope of Work and reference ANZRPTIP 1 Acting As an Expert Witness if the valuation is for litigation purposes.

ANZVTIP 1

Retrospective

Valuations

(Draft)

■ 5.0 Sales Evidence

- Sales evidence prior to the retrospective date should primarily be used. Sales after the date of valuation may be considered if they confirm the value level at the time of the respective valuation and do not set a new market level. Care needs to be taken in analysing sales past the retrospective date.

ANZVTIP 1

Retrospective Valuations (Draft)

- The exposure period has closed any responses will be considered before being approved by the NZIV Council.

ANZVTIP 5

Valuation of Self Storage Facilities

- (Replaces ANZVGN 11 – Valuation of Self Storage Facilities)
 - **Purpose** – To be used in the valuation of operating self storage facilities.
 - **No significant changes** .
 - Section 6.1 has been amended to include the following additional comment – DCF analysis, may be of greater assistance when the facility being valued is in the early stages of occupancy build up. In these cases the valuer will be required to chart occupancy take up to mature occupancy and construct the cash flows having regard to expected occupancy level build up.

ANZVTIP 6

Valuation of Partial Interests in Property held within Co-ownership Structures

- (Replaces ANZVGN 7 – Valuation of Partial Interests in Property held within Co-ownership Structures)
- **Definition** – A partial interest may be described as a divided or undivided ownership right in property that represents less than the whole.
- **Key changes -**
 - A comment has been added to Section 1.5 freehold or Leasehold. This comment is as follows: A partial interest may also comprise, although relatively rare, tenancies defined by a future event- e.g. A life interest.
 - Section 4.6 Marriage Value has been added. This section refers to the difference between the unencumbered freehold value and the total of the values of partial interests. It includes the comment: As a guide, it is common for some marriage value to occur in partial interest's scenario, but it would be very rare for the partial interests to be worth more than the unencumbered freehold.
 - Section 5.1 Influences on Value has been added to, with the inclusion of a reference to the extent to which the co ownership structure/framework prevents the underlying asset being used for its highest and best use e.g. a long-term ground leasehold for “industrial purposes” in a location now supporting high-rise residential development.

ANZVTIP 6 Valuation of Partial Interests in Property held within Co-ownership Structures (Cont.....)

■ Key changes – (Cont.....)

- The terms extensive regarding adjustment to and the term infrequency of sales has been added to Section 7.2 Available Evidence.
- Section 7.4 No Available Evidence has had a paragraph added. A check method of valuation is recommended when dealing with a co-ownership structure that may not be traded on the open market and directly comparable evidence is therefore not available. Such a check method would seek to examine the property rights conferred by the partial interest and assess their (summed) value by applying market-based income and financial criteria e.g. the present value of the rental streams and reversionary interests.
- Section 7.7 Special Comment has been added. It is as follows: The structure and documentation of partial interests is often complex and has evolved more complexity over many years. Members should ensure all aspects of the respective interests are clear to them before proceeding and, if they are not, they should request expert legal advice.

ANZVTIP 7

Valuation of Accommodation Hotels

- (Replaces ANZVGN 6 – Valuation of Accommodation Hotels)
- Key changes –
 - The scope has been changed to a standard TIP format which now only refers to Accommodation Hotels. The previous scope section refers to Accommodation Hotels, Motels and Serviced Apartment complexes of 3 star standard and higher.
 - Section 3.1 Key Factors has been altered to include the following additional factors which need to be considered: vertical transportation (number and size of passenger and service lifts), building operational and management system (HVAC/operable windows/security, etc.)
 - A comment has been added to section 4.3 on Capital Expenditure which is as follows: It is acknowledged that this task may be difficult for the Valuer to undertake and that it requires input and guidance from the owner/operator of the facility.
 - The section 4.4 Balance in FF & E Reserve which requires the Valuer to establish whether the existing balance in the FF&E Reserve, and comment on its adequacy and appropriateness has been removed.

ANZVTIP 7

Valuation of Accommodation Hotels (Cont.....)

■ Key changes (Cont.....) –

- Section 6.2 Summary of Detailed Figures has been amended to include the following requirement. Comparison should also now be made regarding fair market share with the broader market and STR Competitive Set data with regard to Section 6.2 Summary of Detailed Figures.
- Section 6.5 Business Mix now includes a comment that reliance may be had to third party internet reservations.
- Section 12.2 leases, Plant and Equipment has been amended. The last sentence which relates to substantial lease payments for plant and equipment which reads as follows: “In such instance the costs may be ignored if instead a pay out figure can be ascertained and deducted from the value assessed” has been deleted and replaced with the following: “It is conventional commercial practice for the property to exchange unencumbered and accordingly, the valuation should assume unencumbered transfer, with any intending reliant party making their own enquiry and adjustment for any transferring or assigned HP/lease agreement.”

NZVTIP 3 Valuation Reports prepared by Unregistered Valuers

- (Replaces NZRPGN 2 - Valuation Reports prepared by Unregistered Valuers)
- Key changes –
 - Change of Title to ‘Valuation Reports Prepared by Unregistered Valuers’ as the TIP is not just about “counter-signing’ .
 - Change of headings throughout the TIP.
 - Responsibility – A Registered Valuer, signing a report prepared by an Unregistered Valuers accepts full responsibility for the valuation and Contents of the report. Responsibility cannot be limited by the use of condition clauses.
 - Site Inspection – The Registered Valuer signing the report should inspect the property by whatever means at their disposal, to a level that will enable them to comply with the Code of Ethics and confidently and competently assess the value of the property.
 - Client Liaison – It is recommended that any comments regarding opinion on value during the course of carrying out a valuation, be provided by a Registered Valuer.

ANZRPTIP 4

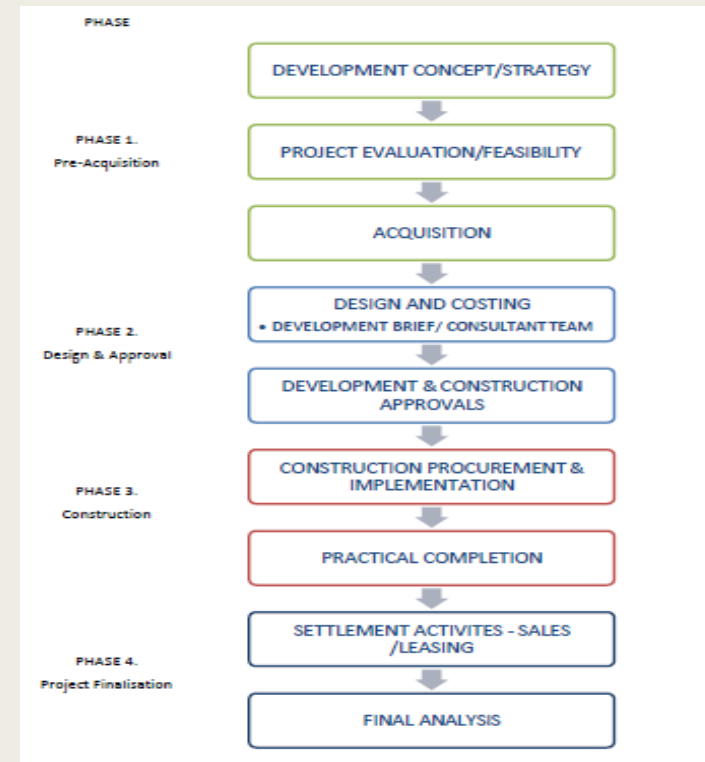
Development Management

- (Replaces ANZRPNG 9 – Property Development Management and “Terms of Appointment”)
- Development Management – Practice of delivering the right development, in the right location, at the right time.
- Key changes –
 - The Title has been changed whilst a number of sections have been added and several expanded on.
 - The objective of the TIP is to provide guidance on the role and responsibilities involved in the process of Development Management. The previous purpose referred to the provision of a checklist and a pro forma ‘Terms of Appointment’.
 - It includes section 2.0 Definitions which defines and expands of terms such as Development Management, Project Management and Development Manager.
 - Section 3.0 provides brief examples of property development. Additional examples include Mixed Use, Agribusiness, Specialised Use or Purpose Projects, Miscellaneous Projects and Refurbishment/Conversion of use.

ANZRPTIP 4 Development Management (Cont.....)

■ Key changes – (Cont.....)

- The Development Process is outlined with a typical development process and steps identified in the chart below:



- Section 4 also includes further discussion and details on each of step and Phase.
- The role of the Development Manager is referred to in greater detail in section 5.
- Section 6 briefly describes the Content of Development Management Agreements.
- Section 7 has been added to reference to Professional Standards for Development Managers.

ANZRPTIP 5

Preparing a Property for Sale

- (Replaces ANZRPGN 8 – Preparing a Property for Sale)
- Addressed the high-level steps taken in preparing real estate for sale prior to the actual commencement of marketing.
- Key changes –
 - Same Purpose/Objective
 - Section 3.2 Tenancy and Lease Status has been amended slightly but is essentially the same.
 - Section 3.5 Lease Tenures has been changed. This section now requires the Weighted Average lease Expiry to be calculated and understood. The section also requires correspondence with existing or potential tenants regarding the future letting or potential vacancy.
 - The words (if available) with reference to lease documentation have been removed from Section 3.7 Preparation of Tenancy Schedule.
 - The tenancy schedule is to also include lease rent plus outgoings, any lease option terms and dates.
 - Part of section 3.9 which relates to outgoings schedules includes more detailed requirements around past actual outgoings or budgeted outgoings and preferable a combination of both for comparison purposes in addition to the current financial year budget and actual outgoings.

ANZRPTIP 5

Preparing a Property for Sale (Cont.....)

■ Key changes – (Cont.....)

- Section 3.13 has been added with regarding a Building Energy Efficiency Certificate.
- Section 4 Marketing Strategy and Budget has been altered. Sections on Marketing Mediums and Information Memorandums have been added here.
- Section 5.2 has been altered to include a requirement for instructions to be confirmed in writing with relevant appointment to act documentation where an agent is engaged for sale of property.
- Section 5.4 Primary methods has been altered.
- Section 6.1 now includes states that the member should also refer to the API's Due Diligence Technical Paper.
- Section 6.4 now includes a reference to the properties Title.
- The schedule of information required for specific properties has been removed.

The Standards Committee

- **Blue Hancock (Chair)**
- Chris Stanley (IVS representative)
- John Darroch
- Jason Williams
- Jay Sorensen
- Ian Campbell
- Tim Gemmell
- Gary Sellars
- David Baxter
- Olivia Roberts

Homework

- **Templates - Update your templates.**
- **Review - Carefully review all of the updated TIPS.**
- **Apply - apply the best practice recommended in the TIPS to your valuations.**
- **Discuss - Discuss the Standards and TIPS with your colleagues.**
- **Use - Use the resources on the Website.**