

Standards Update

PRESENTED BY BLUE HANCOCK

PINZ VALUATION AND PROPERTY STANDARDS BOARD
CHAIR



Overview



How are Standards developed?

Why do we have Standards?

Where can I find the Standards?

International Valuation Standards (IVS):

- 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 11 Valuation Procedures – Real Property
- ANZVTIP 1 Retrospective Valuations
- ANZVTIP 12 Valuations for Mortgage and Loan Security Purposes

Your Standards Board

Why do 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 do 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



How are standards developed?

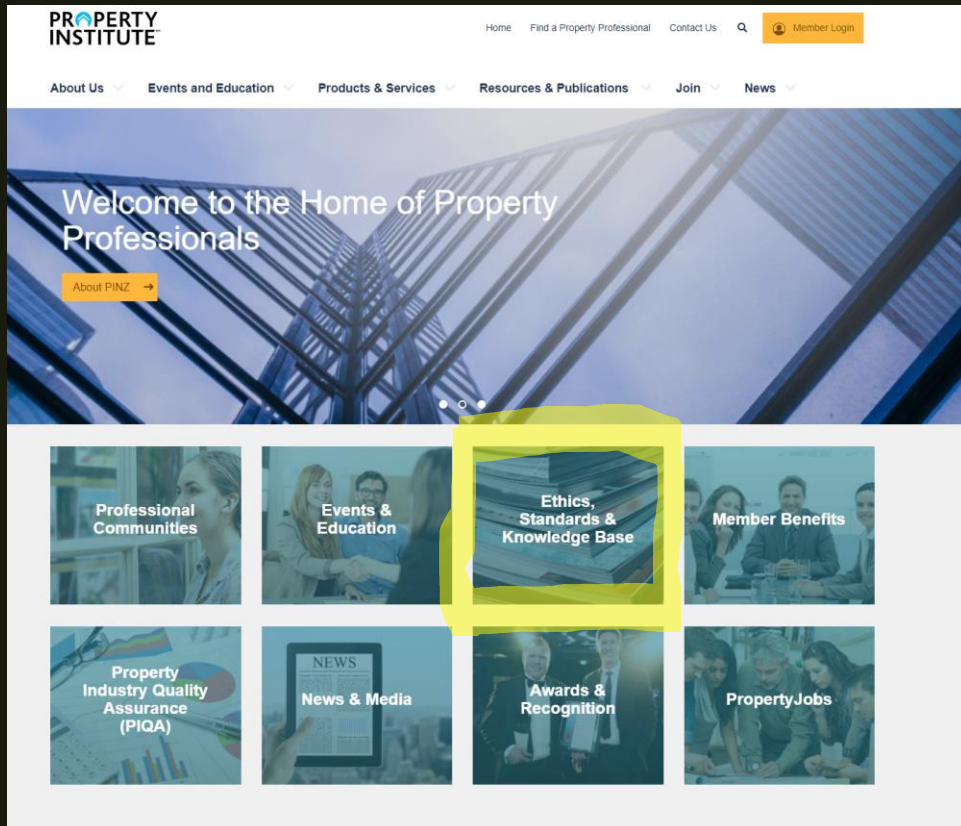
- The Standards Board is both proactive and reactive.
- Board members bring to the table issues that they see in practicing as valuers and property professionals.
- They also react to issues brought to us by yourselves and users of valuation services.
- The evolution of standards are therefore dependant on your input.
- Combined Australian and NZ standards where possible.
- Developed in association with the Australian Valuation and Property Standard Councils.

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- IVS has now withdrawn all tips.
- From 1 January 2020 all new tips that apply to valuer members will include the NZIV logo on the header.



Compliance with 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.
- The Institute's have adopted IVS effective 31 January 2020.
- Guidance Notes and TIPS are designed to provide additional guidance specific to NZ.
- Today's focus will be on IVS and ANZV TIPS adopted recently or to be adopted 1 January 2020.
- Where do I find the Standards?

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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




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Recent Standards, TIPs & Guidance Note Changes and Summary Documents




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International Valuation Standards 2017 Effective NZ 1 July 2017 (Mandatory) - IVSC 2020 Update Available




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IVS update effective date & changes



- The latest IVS version updates IVS 2017. **The update becomes effective from 31 January 2020.**
- IVSC encourages early adoption from the date of publication. Valuers will need to make clear which edition of the IVS they are using when preparing a valuation report.
- The updated IVS includes a new chapter, 'IVS 220 Non-Financial Liabilities' as part of the intangible asset standards.
- The IVS glossary has been updated to include new terms and to provide additional clarifications. These changes reflect the IVSC's ongoing efforts to align valuation standards, terminology and definitions.
- Other key updates have been introduced in relation to 'development property' (IVS 410), 'limitations' (IVS 102), and 'valuation models' (IVS 105).

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 Bases 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 Development Property
	IVS 500 Financial Instruments				

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

ANZ Valuation Guidance Notes and Technical Information Papers	ANZVGN 5 Valuations for Compulsory Acquisitions	ANZVGN 8 Valuations for Use in Offer Documents	ANZVGN 9 Assessing Rental Value	ANZVTIP 1 Retrospective Valuations	ANZVTIP 2 Market Value of Property, Plant and Equipment in a Business
	ANZVTIP 3 Addressing the Concept of Forced Sale	ANZVTIP 4 Valuations for Insurance Purposes	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	ANZVTIP 9 Market Value of Rural and Agribusiness	ANZVTIP 11 Valuation Procedures - Real Property	ANZVTIP 12 Valuations for Mortgage and Loan Security Purposes	
NZ Valuation Guidance Notes and Technical Information Papers	NZVGN 3 Valuation of Houses Under Construction and Houses to be Built or Previously Unoccupied new houses		NZVTIP 1 Goods and Services Tax (GST) in 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
	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 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				
NZ Real Property Guidance Notes and Technical Information Papers	NZRPNG 1 Valuation of Contaminated Land				

Australia and New Zealand (ANZ) Valuation and Property Standards

Fundamentals	Introduction to Valuation and Property Standards				
	Code of Ethics				
Practice Standard	ANZPS 1 Valuations for Compulsory Acquisitions				

International Valuations Standards 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 (in part)

- 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 an 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 General Standards

IVS 101 Scope of Work

- This outlines what must be understood between a client and a valuer before the valuation is carried out e.g. purpose of valuation, extent of investigations, procedures adopted, assumptions, limitations. This helps to set the terms of engagement which is the commercial arrangement between a valuer and client. Minor wording changes at 20.3 (c) and (m).

IVS 102 Investigation and Compliance

- All investigations must be appropriate for the purpose of the valuation and basis(es) of the value.
- The valuation must have sufficient evidence.
- When a valuation assignment involves reliance on information supplied by a party other than the valuer, consideration should be given as to whether the information is credible.
- The valuation approach adopted must fit the purpose and basis of valuation, availability of data and approaches and/or methods used by participants in the relevant market.
- More than one method may be used but must be reconciled.
- Record need to be kept of work done, including key inputs, calculations, investigations and analyses.

IVS General Standards (continued)

IVS 103 Reporting

- This standard stipulates the minimum valuation report content and it reflects the Scope of Work.
- The report should also be sufficient for an appropriately experienced valuation professional with no prior involvement with the valuation engagement to review the report and understand the items in paras 30.1 and 40.1, as applicable.

IVS 104 Bases of Value

- Bases of value is not limited to market value or those contained within the standards.
- There could be other bases a valuer needs to consider in valuing some assets.
- **Note:** the descriptive change from fair value to equitable value as being the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that's reflects the respective interests of those parties.
- This standard also discusses assumptions and special assumptions that will be necessary to clarify the basis of value, such assumptions can have a significant impact on value.

IVS General Standards (continued)

IVS 105 Valuation approaches and methods

- These are identified as market approach, income approach and cost approach.
- The market approach methods include comparable transaction methods that is principally used for real property, other approaches are generally used in business valuation.
- The income approach details and discounted cash flow method along with other considerations should be made in using this method.
- The cost approach details includes different cost approach methods; for example; replacement cost, reproduction cost or summation method and depreciation and obsolescence factors.
- International Standards which are mandatory and apply both to assets and applications.
- There are the different International Valuations Standards that apply to real property and are cornerstones for valuations worldwide and in New Zealand.
- As well as the international standards there are the Australia and New Zealand Guidance Notes or Technical Information Papers (TIPS). These are not mandatory but represent best practice.

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.
- 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.

IVS 101

Scope of Work

Communicate

- 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 is 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 Value 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 105

Valuation Approaches and Methods

Valuation Model (new section in 105)

- A valuation model refers collectively to the quantitative methods, systems, techniques and qualitative judgements used to estimate and document value.
- When using or creating a valuation model, the valuer must:
 - Keep appropriate records to support the selection or creation of the model,
 - Understand and ensure the output of the valuation model, the significant assumptions and limiting conditions are consistent with the basis and scope of the valuation, and
 - Consider the key risks associated with the assumptions made in the valuation model.
- Regardless of the nature of the valuation model, to be IVS compliant, the valuer must ensure that the valuation complies with all other requirements contained within IVS.

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*
 - *Market conditions*

IVS 400 Real Property Interests

Valuation Approaches: (continued)

- **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: (continued)

- **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 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 Businesses and Business Interests.**
- **IVS 210 Intangible Assets.**
- **IVS 300 Plant and Equipment.**
- **IVS 500 Financial Instruments.**

ANZVTIP 1

Retrospective Valuations

This TIP was revised effective 1 July 2019. There are further updates to be effective on 1 January 2020.

- What has changed?
- Definitions:
- Introduces the term:
- **Professional Member Obligations:**
- Professional obligations for members are contained in a variety of documents published or adopted by the Institute's.
- This includes valuation and property guidelines prepared and published by the Institute's and any other professional guidelines adopted by the Institute's
- **Other changes**
- The principal changes are in relation to wording for plant and equipment valuation. They are reasonably minor in nature but do set out more clearly the requirements for plant and equipment inspection for the purpose of retrospective valuations.

ANZVTIP 1

Retrospective Valuations

- **Key principles:**
- In reviewing or completing a retrospective valuation the valuer member is only to consider details that could have been known at the date of valuation.
- **Inspection requirements**
- **Real Property**
- Property should be fully inspected internally and externally, where possible. If not possible to reinspect full disclosure should be made on any limitation to inspection and other reference material relied on.
- **Supporting evidence**
- Sales and/or rental evidence after the date of valuation should be treated with extreme care. The starting position is that such evidence is irrelevant because a hypothetical purchaser and seller would not be aware of that sale at the date of valuation. However, when there is a scarcity of evidence prior to the valuation date, Valuer Members can have regard to other market evidence, but need to explain how the evidence indicates what would have been in the contemplation of hypothetical purchasers and sellers at the date of valuation

ANZVTIP 11

Valuation Procedures - Real Property

Revised TIP became effective 1 July 2019, Replacing ANZVGN 1:

- The conversion from a guidance note to a TIP essentially updates the recommended best practice.
- What has changed?
- The notation in relation to fixtures and non-fixtures/chattels has been moved.
- **Section 4 Report Content** is significantly unchanged although members should read and become familiar with any changes that have been made.
- The TIP generally strengthens reliance on IVS.

Changes of note:

- **4.11 Site, Services and Environmental Hazards.** In New Zealand, a Land Information Memorandum should be sited and any Hazardous Activities Industry List (HAIL) designation should be reported.
- Where a member has concerns about site contamination all appropriate enquiries should be made.
- A member may need to qualify their report and must advise that they are not an expert on contamination issues when the comments are made on such matters.

ANZVTIP 11

Valuation Procedures - Real Property (continued)

- **4.22 General Market Advice** it is acknowledged that members may, in certain circumstances, be requested to provide general market advice to clients on a specific property. However, members should be aware that such market advice may still be interpreted in a legal sense as a valuation. Scope of work should be defined to protect the interests of all parties who may rely on that advice.
- **4.25 Signing the Report** The report shall be signed by the person who conducts the valuation (who must be the person who inspects the property).
- Where the report is countersigned, the capacity in which the counter signatory is signing the report must be clearly stated (especially if the counter signatory has not personally inspected the property and carried out research and report). This is to avoid misunderstanding by anyone relying on the report who might otherwise be under the impression that the co-signatory signing as a member, also inspected the property and had significant involvement in the valuation process.

ANZVTIP 11

Valuation Procedures - Real Property (continued)

- **5.0 Inspection and Enquiry Guidelines**
- There is no substantive change to this section of note:
- **5.1 Identification** a member should obtain enough information and carry out on-site observations to allow the property to be adequately identified. The source of the information should be noted. A member should exercise due caution and confirm where necessary before relying on information provided by other parties. Refer to IVS 102 investigations and compliance.
- **5.6 Cite Contract of Sale and Certificates** it is desirable where possible for the members to site a contract of sale for the property and where possible, obtain and/or sight any certificates attached to the contract of sale such as a survey certificate, sewer diagram, title plans, zoning and/or any other local government certificates. (Land Information Memorandum, Resource Consent).
- The Standards Board is aware of the anomaly between 4.11 and this section in relation to the requirement to sight a Land Information Memorandum. Whilst it is desirable to sight a Land Information Memorandum in practicality it is not often done because of the expense and time to obtain. If you have not sighted or obtained a Land Information Memorandum be clear in your report and give reasons.

ANZVTIP 11

Valuation Procedures - Real Property (continued)

- **6.0 Market Evidence and Market Analysis.** Refer to IVS 105 valuation approaches and methods.
- **6.1 Research.** Relevant market transactions should be researched and analysed along with other market indicators. The extent of the research and analysis should be appropriate to the type of property in the report.
- **7.0 Valuation Bases and Considerations.** Refer to IVS 105 valuation approaches and methods. Valuation calculation should be included in the report.
- **7.5 Valuation** A single amount should be recorded for the value inline with traditional valuation practices. A report may, however, address the value range or tolerance within which the valuation falls. The valuer should clearly explain the conclusions in adopting a final figure in relation to the facts and market evidence as detailed in the report.
- **7.6 Selling period** the assessment of market value should reflect a typical market period for the class of property in the current market conditions. Conceptually, this period is envisaged as having proceeded the date of valuation. A member should provide an estimate of the likely marketing period necessary to achieve the assessed market value. In such circumstances, the member should also provide a statement of the dynamics of that market.

ANZVTIP 11

Valuation Procedures - Real Property (continued)

- **8.0 Value As If Complete.** Refer to international valuation standards, client instructions and relevant standards.
- **9.0 Valuation of Going Concerns.** Refer to IVS 200 businesses and business interests.
- **10.0 Licenses, Rights and Permits.** Where the property has a license, write or permit, a member should examine its terms and provide an epitome in the report.
- **11.0 Transmission of Reports.** Members should ensure the method of transmission is confirmed within the terms of engagement or retainer agreement. The member should ensure the document is in a format that cannot be altered and may wish to send paper documents following the initial transmission.
- **12.0 Special Issues**
 - **12.1 Adverse Impact.** A member should be particularly alert to special issues which may impact adversely on the value and/or marketability of particular properties rather than properties in general.

ANZVTIP 11

Valuation Procedures - Real Property (continued)

- **13.0 Post Valuation Consultancy.** Where a member has provided a valuation report and matters are raised with the member by the instructing party, it is the members' professional responsibility to respond to any such reasonable queries, even though no additional fee is offered. However, the Institutes recognise that in the case of a variation from the agreed scope of work, it may be appropriate for the member to seek an additional fee.
- **14.0 Effective Date** this tip is **effective from 1 July 2019.**

ANZVTIP 12

Valuations for Mortgage and Loan Security Purposes.

Revised TIP to become effective 1 January 2020:

- This TIP has replaced ANZVGN 2.
- What has changed?
- The TIP now refers to IVS (no year) as this revised standard becomes mandatory on 31 January 2020.
- **2.0 Definitions.** The term “standards” has been replaced by the terminology of "Professional Member Obligations".
- Professional obligations for members are contained in a variety of documents published or adopted by the Institute.
- This includes valuation and property guidelines prepared and published by the Institutes and any other professional guidelines adopted by the Institutes.
- **3.0 The Role.** The primary role for members is to advise the market value of the asset for mortgage and loan Security purposes as at the date of valuation which will normally be the date of inspection. Additional information, opinion and advice in accordance with instructions received from the lender should also be provided. Members are required to abide by the rules, ethics and the requisites of valuer registration.

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- **4.0 Instructions.** Instruction should generally cover items listed in IVS 101 Scope of works. They should be agreed prior to the valuer commencing work and clearly define the professional service agreement between the member and the client.
- Any documentation relevant to the task should be included with the instruction such as lease agreements, licenses, planning consents, financial statements and plant and equipment schedules. Scope of Works and terms of engagement should be annexed to the valuation report.
- **4.1 Instructions from Lender.** Instructions to members to undertake valuations for mortgage and loan security purposes are ideally received from the lender. It is important that the terms of engagement are between the party relying on the valuation (the lender) and the valuer. Instructions can also be via a third party panel manager.

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- **4.2 Other Instructions.** It is recognised at times, intending mortgagors or their agents may instruct members directly to provide a valuation for mortgage purposes. Where a valuation is instructed for an intending mortgagee, the valuation should be qualified including that the report cannot be relied upon until consent is granted by the reporting valuer, in writing. Prior to a valuer addressing the report to a lender, if they agree, confirmation of instruction should be received from the lender. A new report is to be issued to the lender which includes the purpose of the report, reliant parties, and any other requirements.
- **5.0 Report Content.** Refer to IVS 103 reporting. Refer to lenders standing instructions and any other professional guidelines considered applicable.
- **5.1 Risk Analysis.** The main risk issues should be addressed. Reporting may include real and potential market -related factors and property-related factors, which could include cash flow, asset management, planning, construction, approvals, use, function, location, environmental, market and business. The valuation report should reconcile these risk factors with the specific nature of the property. The valuer may present in a numerical or graph format or other.

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- **5.4 Value Subject to a Special Assumption.** This applies where a member receives an instruction to assess the value of an asset on an alternative basis e.g. as if complete, subject to vacant possession, subject to a proposed lease. If a lender requests a member to assess the value of an asset subject to a special assumption, the report should include;
 - market value 'as is'.
 - details of the 'special assumption'.
 - value subject to the 'special assumption'.
 - supporting sales evidence and analysis comments linking to both assessments.
 - See IVS 104 Bases of Value, Premise of Value - Forced Sale, and ANZTIP 3 Addressing the Concept of Forced Sale.

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- **5.8 Recommendations.** A lender may ask the valuer to comment on the property suitability for mortgage security. Members may comment as appropriate. Members should note that that lending for mortgage security is a commercial decision of the lender. The report should be qualified accordingly.
- Unless required by legislation such as the Trustee Act 1956 and amendments, the Lawyers and Conveyancers Act (Lawyers: Nominee Company) Rules 2008, or the Securities Act (Contributory Mortgages) Regulations 1988 or any lender whom the member is aware is acting in a capacity as a trustee, it is not generally appropriate for the member to recommend a maximum or minimum loan percentage or amount or recommend a loan period.

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- **6.0 Valuations on an 'As If Complete' Basis.**
- See IVS 410 development property.
- **6.1 market value as if complete.**
- If the valuation assessment is conditional on anything, either physical or legal occurring, the member must assess the market value on and 'as if complete basis'. A valuation 'as if complete' assumes the proposed work is already completed at the date of valuation and reflects the market conditions as at that date. In the report, the member should reserve the right to review and if necessary, vary the valuation if there are changes to the project and/or other relevant terms of the proposal.
- **6.2 Instructions**
- From clients to value proposed improvements should clearly confirm the basis of valuation.
- **6.3 Construction, Cost Estimates and Inspections by Others.** In undertaking a valuation of a property, a member should not hold themselves out to having qualifications in a building/structural discipline unless they have such qualifications. The report should be qualified accordingly.
- Any significant difference between a tender and a check costing should be advised, and a recommendation made for the lender to obtain further advice from a suitably qualified person.

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- **6.4 Value 'As If Complete' Report Qualifications.**
- A member, and assessing the market value of an on and 'as if complete' basis should qualify the report according and reserve the right to review their valuation if the completed state varies from an original instructions.
- **6.5 Value under Construction.**
- If construction is in progress and an 'as is value' is also required, consideration should be given as to whether or not the cost of the work to date is fully reflected in the value. It should not be assumed that the added value of the work to date equals the cost of the work. Comment could also be made about the marketability of a partly completed project.
- **9.0 Effective Date.** In New Zealand ANZVGN 2 is withdrawn effective 31 December 2019 and is replaced by ANZVTIP 12 effective 1 January 2020.

Exposure Drafts

ANZVGN 5 Valuation for Compulsory Acquisitions and ANZPS 1 Valuations for Compulsory Acquisition .

It is proposed to withdraw the Guidance Note and Practice Standard and replace with.

ANZVTIP 13. Valuations for Compensation and Compulsory Acquisition

This TIP is in exposure draft until early in the New Year when the TIP will be finalised.

The Standards Board require your considered opinion and valued input into finalising this TIP.

The Standards Board

Standards Board

- **Blue Hancock (Chair) - Nelson**
- Chris Stanley (IVS representative) - Christchurch
- John Darroch - Auckland
- Jason Williams - Auckland
- Jay Sorensen - Napier
- Ian Campbell - Auckland
- Tim Gemmell - Auckland
- Gary Sellars - Christchurch
- David Baxter - Tauranga

Summary

- **ANZVTIP 1** Retrospective Valuations revised **effective 1 January 2020** replaces ANZVTIP 1 which was effective from 1 July 2019.
- **ANZVTIP 12** Valuation for Mortgage and Loan Security new TIP replaces ANZVGN 2 which is withdrawn.
- **ANZVGN 4** Valuations for Rating and Taxation withdrawn **effective 1 January 2020**
- **IVS effective 31 January 2020** (now no review date attached to IVS version)

Next Steps (Your homework)

- **Read and Understand:**
- This has been a brief overview of the revised standards. It is your responsibility to read and understand the standards fully when undertaking valuations which rely on this guidance.
- **Update your templates:**
- The IVS and Australia and New Zealand Standard Boards encourage early adoption of these standards. From date of publication you may update your templates and be compliant.
- **Tell others:**
- Advise all other members of the updated standards who have not been able to attend this webinar.
- Have a safe and happy festive season. Merry Christmas.