

STANDARDS & VALUATION UNCERTAINTY

PRESENTED BY J L (BLUE) HANCOCK

PINZ VALUATION AND PROPERTY STANDARDS BOARD



AGENDA

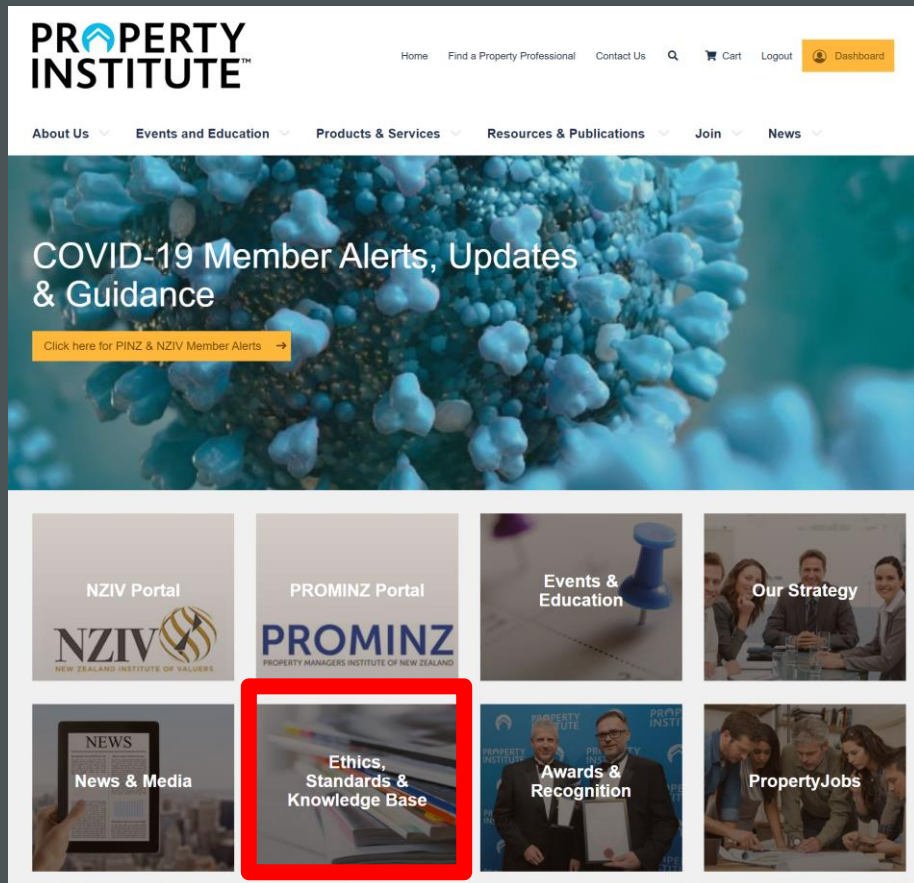
- Overview
- Code of Ethics
- IVS
- Inspections
- Valuation Uncertainty
- Valuation Considerations
- Valuation when there is a Shortage of Market Transactions
- Golden rules for business at Alert Level 3
- FAQs
- Summary

OVERVIEW

COVID 19 Pandemic & Lockdown

- New Zealand has moved into Level 4 Alert Status under the COVID 19 pandemic.
- Valuation is currently deemed to be a “Essential” Service by MBIE. Valuers are essential for a very limited range of services. What this means is that Valuers, are able to undertake valuation work for, Business or services necessary to maintain other alert level 4 businesses or services.
- It appears that the justice system is one of the only areas that valuers will be deemed necessary to maintain as that service is listed as an essential alert level 4 business – financial services are not listed as an essential service as they were in the last lockdown.
- If any other investigations are undertaken to complete a valuation during the lock-down, and for a service that is deemed “Non-Essential” without physical inspection, that is a contractual arrangement between the Valuer and the client.
- However, we advise Valuers to be aware and fully understand they must comply with the Code of Ethics 1.4, 1.5 and 1.7 (c) and (d) and IVS 20.1 – 20.7.
- Valuers should also have clarity of their insurance position.

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 International Valuation Standards (IVS) as adopted by PINZ / NZIV.
- Any departure must be documented and agreed.
- The Institute's have adopted IVS (effective 31 January 2020).
- Guidance Papers are designed to provide additional guidance specific to NZ.
- Where do I find the Standards?
- *Note - You must be logged into the PINZ website to view the IVS Standards.*

**PROPERTY
INSTITUTE™**



Where can I find the Standards?

<https://propertyinstitute.nz/>

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 (Mandatory)



[View all >](#)

Recent Standards, & Guidance Paper Changes and Summary Documents



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International Valuation Standards Effective 31 January 2020 (Mandatory)



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Guidance Papers for Valuers and Property Professionals (Best Practice)



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NZIV CODE OF ETHICS

Professional Responsibility

- 1.1 The first duty of each and every member is to render service to the member's client or the member's employer with absolute fidelity, and to practise their profession with devotion to high ideals of integrity, honour and courtesy, loyalty to the Institute, and in a spirit of fairness and goodwill to fellow members, employees and subordinates.
- 1.4 No member shall prepare or certify any statement which is known to be or ought to be known to be false, incorrect, misleading, deceptive or open to misconstruction by reason of a misstatement, omission or suppression of a material fact, any deceptive act, or otherwise.
- 1.5 A member shall exercise the utmost care and good faith to ensure the maintenance of the highest standards in the preparation of statements, reports and certificates, as these constitute one of the most valuable assets of the profession, being relied upon by clients, employers, shareholders, investors, creditors and the public.

NZIV CODE OF ETHICS

Professional Responsibility

- 1.6 When asked for a valuation of real property, or an opinion on a real estate matter, no member shall give an unconsidered answer. A member's counsel constitutes professional advice which must be prepared to the highest standards of competency and rendered only after having properly ascertained and weighed the facts.
- 1.7 A member must maintain the strictest independence and impartiality in the performance of the member's professional duties. To this end no member shall
 - a) adopt the role of advocate to the exclusion of that independence and impartiality
 - b) allow the performance of that member's professional duties to be improperly influenced by the preferences of clients or others as to the result of their professional work
 - c) rely improperly upon information supplied by clients or others in the performance of their professional duties or
 - d) act in any other way inconsistent with the duties of independence and impartiality.

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 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 (IVS 101, 20.3 (a)-(n)) :

- 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.
- NZIV advise to have a SOW and TOE signed by both parties especially in this crisis.

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, confirms 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

10. General Principal

- 10.1. 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.

20. Investigations

- 20.1. Investigations made during the course of the assignment must be appropriate for the purpose of the valuation and basis(es) of value.
- 20.2. Sufficient evidence must be assembled by means such as inspection, inquiry, computation and analysis to ensure that the valuation is properly supported. When with the extent of evidence necessary, professional judgement is required to ensure the information to be obtained is adequate for the purpose of the valuation.
- 20.3. Limits may be agreed on the extent of valuers' investigations and noted in the SOW. However valuers are required to perform sufficient analysis to evaluate all inputs and assumptions and their appropriateness for the valuation purpose. If limitations on investigations are so substantial that the valuer cannot sufficiently evaluate the inputs and assumptions, the valuation engagement must not state that it has been performed in compliance with IVS.

IVS 102 INVESTIGATIONS AND COMPLIANCE

20. Investigations - Continued

- 20.4. 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 or that the information may otherwise be relied upon without adversely affecting the credibility of the valuation opinion. Significant inputs provided to the valuer (eg, by management/owners) should be considered, investigated and/or corroborated. In cases where credibility or reliability of information supplied cannot be supported, consideration should be given as to whether or how such information is used.
- 20.5. In considering the credibility and reliability of information provided, valuers should consider matters such as:
 - (a) the purpose of the valuation,
 - (b) the significance of the information to the valuation conclusion,
 - (c) the expertise of the source in relation to the subject matter, and
 - (d) whether the source is independent of either the subject asset and/or the recipient of the valuation (see IVS 101 Scope of Work, paras 20.3 (a)).

IVS 102 INVESTIGATIONS AND COMPLIANCE

20. Investigations - Continued

- 20.6. The purpose of the valuation, the basis of value, the extent and limits on the investigations and any sources of information that may be relied upon are part of the valuation assignment's scope of work that must be communicated to all parties to the valuation assignment (see IVS 101 Scope of Work).
- 20.7. If, during the course of an assignment, it becomes clear that the investigations included in the scope of work will not result in a credible valuation, or information to be provided by third parties is either unavailable or inadequate, or limitations on investigations are so substantial that the valuer cannot sufficiently evaluate the inputs and assumptions, the valuation assignment will not comply with IVS.

30. Valuation Record

- 30.1. A record must be kept of the work performed during the valuation process and the basis for the work on which the conclusions were reached for a reasonable period after completion of the assignment, having regard to any relevant statutory, legal or regulatory requirements. Subject to any such requirements, this record should include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report(s) provided to the client.

LIMITED INSPECTIONS

Preamble

- In dealing with a COVID-19 (novel coronavirus) several members have made enquiries to PINZ on how they are able to meet Valuation Standards whilst also having restricted access to property for inspection purposes.

Property Inspections

- All members must as part of their agreed Scope of Works and preferably signed with the instructing party agree and detail under IVS 101 Scope of Works (i)
- (i) The nature and extent of the valuers work and any limitations thereon: any limitations or restrictions on the inspection, enquiry and/or analysis in the valuation assignment must be identified (see IVS Framework, Paras 60.1–60.4) if relevant information is not available because the conditions of the assignment restrict the investigation, these restrictions and any necessary assumptions or special assumptions (see IVS 104 Bases of Value, 200 Assumptions and Special Assumptions (200.1 -200.5) made as a result of the restriction must be identified.
- Valuation Ordering Systems (VOS) contracts require registered valuers signing the report to have inspected the property. It is recommended that members contact their VOS and obtain from them a departure to make assumptions on the property, if inspection is limited. Any departures should be clearly documented and agreed with the VOS.
- We are of the view that it could be considered that the government's requirement on travel and congregation is a regulatory requirement that will limit inspections. As COVID-19 is a pandemic, employers also have Health and Safety at Work Act 2015 considerations to make.
- A regulatory requirement meets the departure definitions of IVS is as detailed below. (IVS Framework)

LIMITED INSPECTIONS (DEPARTURES)

IVS Framework - 60. Departures

- 60.1. A “departure” is a circumstance where specific legislative, regulatory or other authoritative requirements must be followed that differ from some of the requirements within IVS. Departures are mandatory in that a valuer must comply with legislative, regulatory and other authoritative requirements appropriate to the purpose and jurisdiction of the valuation to be in compliance with IVS. A valuer may still state that the valuation was performed in accordance with IVS when there are departures in these circumstances.
- 60.2. The requirement to depart from IVS pursuant to legislative, regulatory or other authoritative requirements takes precedence over all other IVS requirements.
- 60.3. As required by IVS 101 Scope of Work, para 20.3 (n) and IVS 103 Reporting, para 10.2 the nature of any departures must be identified (for example, identifying that the valuation was performed in accordance with IVS and local tax regulations). If there are any departures that significantly affect the nature of the procedures performed, inputs and assumptions used, and/or valuation conclusion(s), a valuer must also disclose the specific legislative, regulatory or other authoritative requirements and the significant ways in which they differ from the requirements of IVS (for example, identifying that the relevant jurisdiction requires the use of only a market approach in a circumstance where IVS would indicate that the income approach should be used).
- 60.4. Departure deviations from IVS that are not the result of legislative, regulatory or other authoritative requirements are not permitted in valuations performed in accordance with IVS.

General

- When undertaking a property inspection, all members have a shared responsibility under the Health and Safety at Work Act 2015 and to minimise impact on themselves and others when dealing with COVID-19 and to follow Ministry of Health advice.
- For COVID-19 health advice and information, contact the Healthline team (for free) on 0800 358 5453 or +64 9 358 5453 for international SIMS.

VALUATION UNCERTAINTY

Preamble

- In making a valuation of real property valuers rely on empirical data to assess value. The empirical data available today (23 August 2021) on which those valuation decisions are being made in most cases would not have been influenced by the current events and the possible uncertainty created.
- In the case of the sharemarket there is instant empirical data however real property decisions are generally made over a longer period of time with the reporting of sales not being as instant as the sharemarket.
- This raises the question as to how accurate the valuer considers their assessment of value is and if this should be qualified or quantified. Valuation uncertainty is not a product of a restricted inspection it arises from the valuation process (valuation model or inputs) or events external COVID-19 (novel coronavirus).

Valuation Uncertainty – The Nature of Valuation Uncertainty

- A valuation is not a fact; it is an estimate of the most probable range of possible outcomes based on the assumptions made in the valuation process. Market valuations are estimates of the most probable price that would be paid in a transaction on the valuation date. However, even where assets are identical and exchanged in contemporaneous transactions, fluctuations in the prices agreed between different transactions can often be observed. These fluctuations can be caused by factors such as differences in the objectives, knowledge or motivation of the parties. Consequently, an element of uncertainty is inherent in most market valuations as there is rarely a single price with which the valuation can be compared.

Valuation Uncertainty (definition)

- The possibility that the Valuer's professional opinion as to the Market Value of the asset may differ from the price that could be achieved in a transfer of the asset as at the valuation date, assuming all other market conditions and variables remain constant.

VALUATION UNCERTAINTY

- Causes of Uncertainty
- There are three broad categories of Valuation Uncertainty:
- 1. Market Uncertainty,
- 2. Model Uncertainty; and
- 3. Input Uncertainty.
- Model and input uncertainty that arise from the valuation process, are closely related and may be measureable. Market uncertainty arises because of events external from the valuation process and is not normally measureable.
- The valuation process, including the investigation and analysis of market evidence remains the same as for times when significant market uncertainty is not deemed to be present. It remains incumbent on the valuer to fully investigate and understand the prevailing market trends to support the assessment and reporting of market value as at the date of valuation.
- As per IVS, Valuers must decide whether the Valuation Uncertainty is significant and therefore is required to be disclosed in the report/advice. Any significant uncertainty clause included in a report is a disclosure.
- Re-issue or Assignment of Valuations during a Period of Market Uncertainty
- Members are cautioned regarding risks of re-issuing or assignment of valuations during a period of Market Uncertainty given there may have been a material change of circumstances. If assigning or re-issuing a valuation Members should alert their clients to any material change in circumstances and recommend a revaluation if considered necessary.
- Fair Value Assessments for Financial Reporting during a Period of Market Uncertainty
- Users of valuations for financial reporting of fair value are encouraged to have revaluations undertaken so that issues such as impairment or changes in carrying values are appropriately considered.

VALUATION UNCERTAINTY

- How to Assess Significance or Materiality?
- The Glossary of the IVS at paragraph 20.11 states :
- *“Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context:*
 - *Aspects of a valuation (including inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgements about materiality are made in light of the overall valuation engagement and are affected by the size and nature of the subject asset.”*
- According to IVSC;
 - *“The existence of significant uncertainty does not mean a valuation cannot be undertaken, but it does mean that significant assumptions within the valuation approach and methodology should be disclosed within the valuation report.”*
- Members are advised that different regions and sectors of markets may respond differently to major events. For example, as a consequence of COVID-19, there may be a significant decline in transactional activity in a particular asset class resulting in increased/significant market and hence valuation uncertainty, whereas in another asset class markets may continue to be active (albeit possibly at reduced transaction volumes). Some locations/regions may experience a contraction in market activity, but not markets in other locations/regions.
- In those markets where the Valuer deems that the market continues to function, and where there are transactions which provide reliable evidence of value, significant market and valuation uncertainty may not exist.
- Disclosure of market and valuation uncertainty is only required where it is significant and not normal market uncertainty.
- Notwithstanding the above, Valuers should be aware of the requirements of their professional indemnity insurance policy which may require inclusion of certain clauses and disclosure statements.

VALUATION UNCERTAINTY

- **IVS Valuation Report Disclosure Requirement**
- In accordance with IVS 103 Reporting, the Valuer should include in any report or advice a clear and accurate description of any significant uncertainty that directly impacts the valuation and its outcome. This is a requirement under IVS 103 Reporting paragraphs 10.1 and 10.2 which state:
 - “10.1 It is essential that the valuation report communicates the information necessary for a proper understanding of the valuation or valuation review. A report must provide the intended users with a clear understanding of the valuation.
 - 10.2 To provide useful information, the report must set out a clear and accurate description of the scope of the assignment, its purpose and intended use (including any limitations on that use) and disclosure of any assumptions, special assumptions (IVS 104 Bases of Value, para 200.4), significant uncertainty or limiting conditions that directly affect the valuation.”
- **Sample Disclosure Statement for Valuation Reports**
- Where there is evidence of significant market uncertainty at the date of valuation, the API, PINZ and NZIV Members must include a disclosure relating to significant Valuation Uncertainty in their valuation reports.
- A sample disclosure statement that could be included in valuation reports reflecting the COVID-19 impact is contained below.
- Members should review any disclosure statements regularly to ensure that they reflect the prevailing conditions at the date of valuation and the specific circumstances relevant to the asset being valued.

VALUATION UNCERTAINTY

- *“The market is being impacted by the uncertainty caused by the COVID-19 pandemic. As at the date of valuation we consider that there is market uncertainty resulting in significant valuation uncertainty.*
- *This valuation is therefore reported on the basis of ‘significant valuation uncertainty’. As a result, less certainty exists than normal and a higher degree of caution should be attached to our valuation than normally would be the case. Given the unknown future impact that*
- *COVID-19 might have on markets, we recommend that the user(s) of this report review this valuation periodically. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.”*

VALUATION UNCERTAINTY



Timeline of key events

28 February 2020

First COVID-19 case reported in New Zealand.

14 March 2020

The Government announces anyone entering New Zealand must self-isolate for 14 days, except those arriving from the Pacific.

19 March 2020

All indoor gatherings of more than 100 people are to be cancelled.

Borders close to all but New Zealand citizens and permanent residents.

21 March 2020

The Government introduces the 4-tiered Alert Level system to help combat COVID-19. The Prime Minister announces that New Zealand is at Alert Level 2.

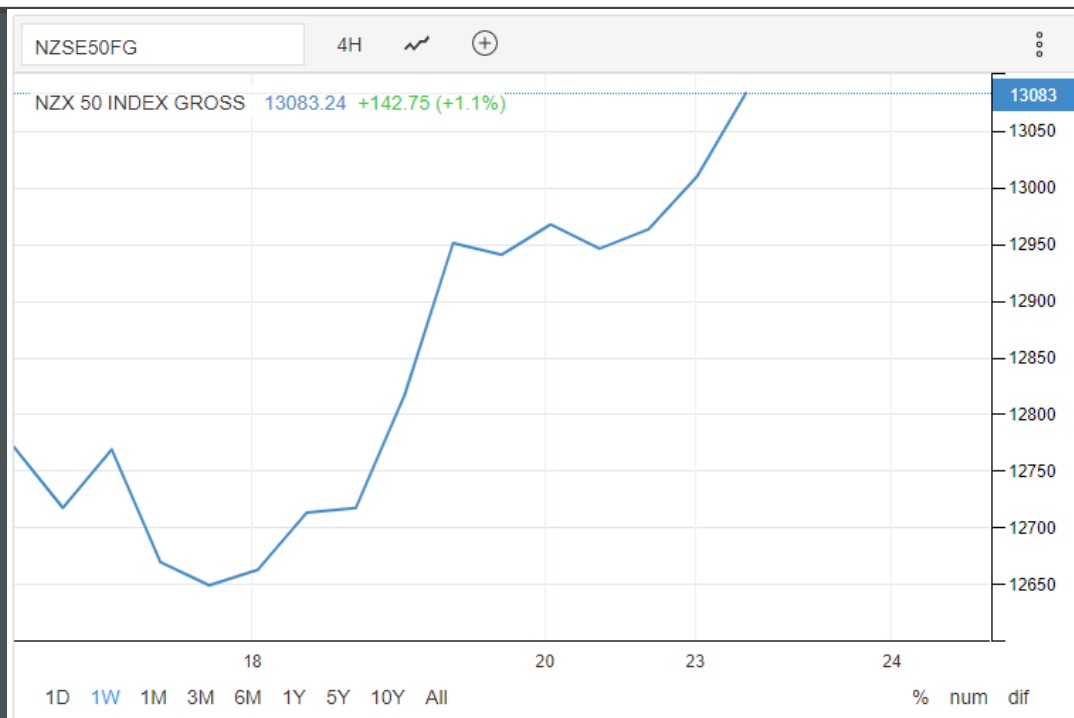
23 March 2020

At 1:30pm the Prime Minister announces New Zealand has moved to Alert Level 3, effective immediately. In 48 hours, New Zealand will move to Alert Level 4.

25 March 2020

At 11:59pm, New Zealand moves to Alert Level 4, and the entire nation goes into self-isolation. A State of National Emergency is declared at 12:21pm.

VALUATION UNCERTAINTY



23 June 2021

Wellington moves to Alert Level 2 at 11:59pm. The rest of New Zealand remains at Alert Level 1.

29 June 2021

Wellington moves to Alert Level 1 at 11:59pm. All of New Zealand is now at Alert Level 1.

17 August 2021

All of New Zealand moves to Alert Level 4 at 11:59pm.

State of National Emergency

A State of National Emergency was declared due to COVID-19. It was in force between 12:21pm on 25 March 2020 and 12:21pm on Wednesday 13 May 2020.

It covered all of New Zealand including the Chatham Islands, Stewart Island and other offshore islands.

The declaration was made by the Minister of Civil Defence Hon Peeni Henare in consultation with the Prime Minister Rt Hon Jacinda Ardern following advice from the Director of Civil Defence and Emergency Management.

The State of National Emergency was distinct from the COVID-19 Alert System.

Extensions to state of emergency

Under the Civil Defence Emergency Management Act 2002, a state of emergency expires 7 days after it's declared unless it is terminated or extended.

The State of National Emergency was extended at:

- 9:27am on 31 March 2020
- 9:25am on 2 April 2020
- 12:21pm on 8 April 2020
- 12:21pm on 15 April 2020
- 12:21pm on 22 April 2020
- 12:21pm on 29 April 2020
- 12:21pm on 5 May 2020.

VALUATION CONSIDERATIONS

Residential

- Supply and demand
- Access to mortgages/funding
- Income uncertainty

Development Sites

- Increasingly limited availability of funding
- Supply and demand
- Extended period for completion and sell down.

Commercial/Industrial

- Consider tenants business such as: essential/non-essential, retail, industrial
- Analyse tenants, cashflow and rents
- Consider factoring in the following:
 - Periods of loss of income,
 - Abatements,
 - Deferred rents,
 - Increased incentives,
 - Tenant failure and
 - Extended periods of vacancy.
- Asset class
- Prime v Secondary
- Tenant quality/covenant and security of cashflow

VALUATION CONSIDERATIONS

Rural

- Supply and demand
- Access to mortgages/funding
- Access to markets – essential service e.g. cut flowers
- Ability to trade
- Export shipping availability

CONSIDERATIONS WHEN FORMING AN OPINION OF VALUE WHEN THERE IS A SHORTAGE OF MARKET TRANSACTIONS

ANZVGP 110

▪ Basic Principles

- Valuers should always investigate and reflect market conditions and sentiment, at the valuation date, in forming their opinion of value, even when there is a shortage of market transactions available for use as valuation inputs as at the date of valuation.
- Where there is evidence that market conditions have changed, analysis of this evidence should be considered by the Valuer to assist with forming an opinion of value.
- Where there is a shortage of transactional evidence, it is incumbent on the Valuer to compile as much evidence as reasonably necessary to assist the formation of an opinion of the market value of the asset and in accordance with accepted valuation practice.

Information Sources

▪ Prior transaction (empirical historic data)

- Valuers need to be aware previous (dated) market transactions reflect the market conditions prevailing at the transaction date and may be at higher (or lower) prices than current values.

▪ New mandatory codes and legislation

CONSIDERATIONS WHEN FORMING AN OPINION OF VALUE WHEN THERE IS A SHORTAGE OF MARKET TRANSACTIONS

- **Market intelligence from market participants**
- Valuers are encouraged to collect any current market information from any market participants including, but not limited to, buyers, sellers, agents, researchers, and valuers, as reasonably possible as at the date of valuation so that they are aware of factors influencing the market and current market sentiment as at the relevant date.
- **Market transactional data**
- The volume of transactions at the relevant date is likely to be less than previous levels, however the survey of market activity and collation of data for analysis remains relevant. For example, information on the amount of stock on the market, monitoring median prices and transaction volumes for trends, marketing and selling periods, new listing activity, listing volumes, asking prices and vacancy rates are all very good sources of data to assist with understanding current or changing market conditions as at the valuation date.
- Where there are no recent transactions available then existing market trends as at the date of valuation should be considered. In these situations, the Valuer may need to revert to an assessment of past value or valuation inputs based on the last available market evidence and then make adjustment to those inputs to reflect current conditions. This could be made by way of adjusting for market movement, capital adjustments for a factual change in circumstances such as a loss of rent during a rental rebate period, loss of rent from a defaulting tenant or in the case of valuation of a going concern, a loss of profits for a period. Any such adjustments must be explained in the valuation report so that it is clear to the reader what adjustments and/or allowances have been made.

CONSIDERATIONS WHEN FORMING AN OPINION OF VALUE WHEN THERE IS A SHORTAGE OF MARKET TRANSACTIONS

- **Unsettled market transactions**
- Valuers are reminded of the principles outlined in paragraph 30.7 (g) of IVS 105 *“actual transactions provide better valuation evidence than intended transactions”*.
- **Observations from previous crisis events**
- Valuers should reflect on previous situations that have impacted on economies and markets, such as bushfires, earthquakes, pandemics, and the Global Financial Crisis (GFC). The indicators of market recovery after these situations may provide anecdotal evidence of how individual markets have recovered from ‘events’ in the past.
- **Observations of the stock market**
- **Market research from reputable sources**
- Credible market research gained from reputable researchers/organisations should also be considered. The Valuer should not simply adopt the opinion of another person or entity. The Valuer should form their own opinion giving weight to the available market research. Research, properly referenced, could be included in the valuation report to help explain why the opinion of the Valuer was reached.

CONSIDERATIONS WHEN FORMING AN OPINION OF VALUE WHEN THERE IS A SHORTAGE OF MARKET TRANSACTIONS

- **Reporting Requirements**
- In situations where there is a shortage of market transactions available for use as valuation inputs as at the date of valuation, Valuers are advised to reflect carefully on the interest that they are valuing and relevant value determinants that market participants would factor into their value judgements. For example, economic disruption could significantly impact the value of businesses or going concerns but the value implication for real estate may be different.
- The following should be taken into consideration by Valuers and where deemed necessary appropriate commentary should be included in valuations.
- **Valuation methodology**
- The Valuer should consider whether the pre-event methodology should be maintained during or after the event that resulted in the shortage of market transactions. In accordance with IVS it is obligatory on the Valuer to provide detailed explanations as to why the methodology was adopted.
- **Disclosure of significant market uncertainty**
- In times of significant market uncertainty, a sensitivity analysis could be included within the report.
- **Sources of valuation inputs**
- Explanation of the methodology adopted is critically important when the Valuer has a shortage of recent transactional evidence to support the valuation opinion provided. The Valuer must explain the source of valuation inputs.

CONSIDERATIONS WHEN FORMING AN OPINION OF VALUE WHEN THERE IS A SHORTAGE OF MARKET TRANSACTIONS

- **Risk analysis**
- The analysis and reporting on risk issues are a critical issue in valuations. In some markets an elevated risk for 'market conditions' may be the norm. It is however important that the user of the valuation is provided a detailed commentary to ensure the rationale of the valuation assessment is clearly understood.
- Valuers should reflect changing conditions in risk ratings and comments. Commentary around risk, or a SWOT analysis may be included, particularly a discussion about any applicable market uncertainty.
- **Selling methods and periods**
- There may be market segments where restrictions are in place regarding personal (public) inspections and public auctions. Real estate agents adapted to restrictions on public gatherings during the COVID-19 period by introducing alternative marketing and selling processes including private inspections, digital (virtual) inspections, and online auctions. Valuers should be aware that market dynamics change, and different marketing methods should be noted and considered in valuations, including any extended selling periods that arise as a result.
- **Leased property considerations**
- Tenancy risk is an important consideration for leased property in times of economic uncertainty. Where a property is leased, the Valuer may need to reflect on the risk of a tenancy default and vacancy or the need for rental relief.
- **Valuation sensitivity analysis**
- There may be circumstances where the provision of a sensitivity analysis indicating a range of values would be of assistance. A single valuation must still be provided.

FAQS

Question	Answer
Is valuation an essential service?	<p>Certain types of valuation services may be undertaken under number 29 in Schedule 2, (here) where necessary to maintain other alert level 4 businesses or services. Valuation services that do not fit into this category or cannot be performed remotely should be deferred. Businesses or services must comply with conditions of operation as set out in the Health Order including operating remotely where possible, providing contact tracing and maintaining social distancing protocols.</p> <p>As such, valuation services may only be carried out under alert level 4 where they are necessary for the continued operation of an essential business or service only. Valuations should only be carried out under the specific health and safety parameters of the alert level current at the time. See MBIE email to NZIV General secretary here. We advise to have the email with you if you are required to inspect property. (paper or electronic form). See property inspection advice here.</p>
Under COVID 19 Level 4 can I inspect a property for valuation purposes?	<p>Yes you are able to inspect property providing you comply with alert level 4 health and safety obligations. You should work from home and only inspect property within your region or adjoining region. Please observe all health and safety, physical distancing and requirements of alert level 4. Businesses cannot offer services that involve close personal contact, unless it is an essential service, emergency or critical situation.</p>

FAQS

Question	Answer
What is Significant Valuation Uncertainty?	The possibility that the estimated value may differ from the price that could be obtained in a transfer of the same asset or liability taking place at the same time under the same terms and within the same market environment.
Can I provide without inspection?	Members are advised to agree a Scope of Works and have a signed Terms of Engagement for the services they will provide. IVS 101 Scope of Works (i) provides guidance on any limitations or restrictions on inspection, enquiry and/or analysis. See full advice here . Members must comply with all ethical obligations in providing services without inspection.
Can I still comply with IVS without inspection?	Yes providing you get agreement with your client and declare a departure under IVS Framework. See full advice (IVS Framework 60 Departures)
Can I retrieve files from my office?	Under COVID 19 Level 4 alert you may retrieve files from your office providing you are providing an essential valuation service, but if at all possible work from home and always maintain social distancing.
Can I undertake a property inspection?	You may undertake full inspections providing you are providing an essential valuation service and maintain health and safety and social distancing. To undertake a full inspection make sure the occupants of the property are in agreement and have the authority to allow access. Before entering a dwelling or building ensure you have the occupants consent and have asked appropriate questions as to the COVID 19 outcomes of occupants.

FAQS

Question	Answer
Should I put limitations on my valuation if I cannot physically inspect?	Yes - first of all get agreement with your client as to the service or product you will be providing. NZIV advise to limit reports to desktop estimates until such times as an appropriate inspection can be made. If the valuation request is through a Valuation Ordering System agree on the product and inspection before undertaking the valuation/indicative estimate.
Can I use third-party photographs?	NZIV advise that unless the photographs are from a reliable source and can be corroborated then limited weight should be placed on them. IVS 102 Investigations and Compliance 20.4 gives appropriate direction. See full advice (IVS 102 20 Investigations)
How can I corroborate third party information?	You may request the provider of the information to certify the authenticity of the information. We advise to give appropriate weighting to that information in your valuation consideration. See further advice (IVS Glossary 20.19)
Can I refuse to undertake a valuation?	NZIV advise unless you can agree a Scope of Works and get a signed Terms of Engagement that you can ethically comply with, then you should not undertake the valuation. See full advice COE 1.4, 1.5, 1.7 (c) and (d)
Can I provide a valuation range?	You must provide a "pinpoint" valuation. It is not acceptable to provide a range only. It may be appropriate to provide a valuation range in some circumstances. The IVS market value definition states "the estimated amount" ANZVGP 111 - 4.19 the market value should be expressed as a single valuation amount and the GST status should be clearly defined.

FAQS

Question	Answer
Can I use historic sales evidence?	Historic sales evidence has traditionally been the basis for real property valuation and will be the starting point for your determination. You need to qualify the market conditions since the last sales evidence which may include vacancies, stopping or partial rent payments, share value of listed property companies and other evidence. Sectors will be affected differently. There may initially be little effect on essential service business property or primary industry but significant effect on tourism, retail and transport etc.
What is the Residential Valuation Standing Instructions Addendum 1.0?	The Residential Valuation Forum has issued an addendum for all valuers undertaking valuations through Valuation Ordering Service or directly via bank instructions. This will be in effect until New Zealand is out of COVID 19 alert levels.
Where can I find the Residential Valuation Standing Instructions Addendum 1.0?	The Residential Valuation Standing Instructions Addendum 1.0 can be accessed via the PINZ website at here or by contacting your Valuation Ordering Service or Bank.
Why did the Residential Valuation Forum issue an Addendum 1.0?	To assist valuers decision making process when receiving instructions for valuations for or through the Valuation Ordering Service and Banks for residential properties.

FAQS

Question	Answer
Has New Zealand experienced similar (probable) market adjustments?	Yes; our more stately members will recall the removal, in the early 1980s of the supplementary minimum price scheme in the rural sector when values more than halved. The share market crash of 1986. The Asian crisis of the 1990s. 9/11. 2007 global financial crisis. 2010 Christchurch earthquakes, 2016 Kaikoura earthquakes. We are resilient, - talk to your senior members.
Will the FAQ be revised?	The FAQ will be updated on a regular basis as information comes to hand.
I have a further question	please address further questions to standards@property.org.nz

GOLDEN RULES FOR BUSINESS AT ALERT LEVEL 3

- **Golden rules for business at Alert Level 3**
- If your business requires close physical contact it cannot operate.
- We recommend your staff work from home if they can.
- Businesses need to display a QR code and have an alternative contact tracing system. We recommend making sure people either scan in or provide their contact details.
- Customers cannot come onto your premises — unless you are a supermarket, dairy, butcher, fishmonger, greengrocer, petrol station, pharmacy or permitted health service.
- Your business legally must be contactless. Your customers can pay online, over the phone or in a contactless way. Delivery or pick-up legally must also be contactless.
- Basic hygiene measures legally must be maintained. Physical distancing, hand washing and regularly cleaning surfaces. Workers legally must stay home if they are sick.
- Staff legally must remain a minimum of 1 metre apart at all times where practical. Other measures, such as personal protective equipment (PPE) including face coverings, we recommend being used where appropriate.
- Different advice applies to essential healthcare workers, border agencies, courts and tribunal staff, first responders and corrections staff. You can get further advice from the Ministry of Health.
- You legally must meet all other health and safety obligations.

SUMMARY

- **Refer to Standards and Guidelines**
- **Communicate and Disclose**
- **Comment and Qualify**
- The situation is fluid and changing rapidly as additional information becomes available. There will be continuing updates and advice.
- Do not take this webinar as final.
- Commentators may word things slightly differently that will resonate with you but not with someone else. There will be different views on the same information. It is a fluid situation.
- The Standards Board is continuing to refine and amend the advice to you.
- **Stay safe and comply with Level 4 alert guidelines.**