

Cyclone Gabrielle

Frequently Asked Questions

effective as at 22 February 2023



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Where do I get Confidential Support?

OCP's mental health and wellness programme is available as a free, confidential service to all members. It is at times like this, and in the subsequent aftermath of an extreme weather event, that this service may prove to be of real benefit.

You can obtain support by booking online at [MyOCP](#).

When booking, members need to provide a code to OCP indicating they are from the Property Institute of New Zealand (PINZ) – this code is found in the [member benefit directory](#) under Personalised Support (members need to log on to their PINZ / NZIV account to access the code).

Once logged in to OCP you'll be able to select the support person available in your area.

Note that your name and location will remain confidential to OCP.

If you have any queries, please contact PINZ Chief Executive Viv Gurrey at v.gurrey@property.org.nz, or Catherine Flannigan at c.flannigan@property.org.nz - they can also link you into the service if that's your preference.



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What's the rush?

Advice from valuers operating in post earthquake Christchurch would advise to stand back and take a breath – time is a great healer.

Do not be rushed into completing work when a day or two may make things much clearer and have no or minimal impact on your clients needs.

You will feel under significant pressure both personally and professionally so take time to fully consider any requests for valuation advice. Although you will want to help your clients, insurers and banks take time - do not make others' problems yours.

Talk to your colleagues – both inside your organisation and outside as you will all be in a similar situation looking for support and information.

There will be no immediate market data post the event and you will have to consider the impact at an individual property level. Make comment on valuation uncertainty and risks.

Remember the Code of Ethics not to give unconsidered advice.

When receiving instructions from Insurers and EQC be aware of conflicts of interest – make sure everyone is aware of who you are acting for.

For pre-event insurance valuations seek clarity on insurance policy terms. They are not always similar and will impact on your valuation advice.



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I have inspected a property before the weather event. Do I complete it?, and if yes on what basis?

Communication is the key here.

If you have commenced a valuation by inspecting the property and comparable sales, in the first instance check with the instructing party. If they instruct you to complete the valuation as at the date of inspection a warning should be placed in a prominent part of the report providing information that you are aware of subsequent events that may alter the valuation subsequent to the inspected date.

Make a statement that the valuation is for the date of inspection only and that subsequent weather events may have affected the value.

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What is a Special Assumption?

Where assumed facts differ from those existing at the date of valuation, it is referred to as a "*special assumption*". Special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designed as "*special*" so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in the current circumstances or that it reflects a view that would not be taken by participants generally on the valuation date. (IVS 104 bases of Value. 200.4)

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Do I Include a Special Assumption?

It depends. Special assumptions include facts not known to the market participants or different to what participants could know. A property damaged by flooding could be seen and known at least in the immediate term. You need to carefully describe the asset and risks on or off site.

As an example, If you are valuing say on the basis that a flood wall will be built and have some knowledge that this will happen then a special assumption will be disclosed.

To comply with IVS:

IVS104, 200.5 - All assumptions and special assumptions *must* be reasonable under the circumstances, be supported by evidence, and be relevant having regard to the *purpose* for which the valuation is required

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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. See full advice [here](#).

[An example: significant valuation uncertainty statement in relation to Cyclone Gabrielle](#)

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Valuation when there is a shortage of market transactions?

Members are advised to read and understand ANZVGP 110 Considerations when forming an Opinion of Value when there is a shortage of Market Transactions. See full advice [here](#).

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How will the markets react?

At time of writing, in most localities our residential market is contracting, any blemishes on a property are often avenues for purchases to offer a lesser amount. In some flooded areas it is clear that there will be many properties uninhabitable for a considerable period of time, some areas may have to be vacated. It is likely that areas that have not flooded will be seen as prime and demand will intensify.

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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. If the valuation request is through a valuation ordering panel agree on the product and inspection before undertaking the valuation.

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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 [here](#) (IVS 102 20 Investigations).

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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 [here](#) (IVS Glossary 20.19).

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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 [here](#) COE 1.4, 1.5, 1.7 (c) and (d)

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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: Inter-alia *“the estimated amount”* ... and ANZVGP 111 - 4.5: Inter-alia *“A value range may be expressed before being reconciled to a single point figure”*.

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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.

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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. COVID 19 shutdown 2020. We are resilient, - talk to your senior members.

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Will the FAQ be revised?

The FAQ will be updated on a regular basis as information comes to hand.

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Where can I find information about keeping healthy and working safely on flood damaged property?

A Risk Guide To Working On Flood Damaged Property is available from Construction Health and Safety New Zealand (CHASNZ) online here:

<https://www.chasnz.org/articles/auckland-flood-remediation-how-to-keep-healthy-and-safe-while-working-on-flood-damaged-property>

This is a simple high-level guide to assist businesses involved in remediating flood damaged buildings and property. It includes some hidden dangers to think about and links to other resources.

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Where can I find further information about operating my business after extreme weather events?

The New Zealand Government has provided extensive information what to do before, during and after storms, floods and landslides to keep yourself, your employees and your business safe, on their website located here:

<https://www.business.govt.nz/risks-and-operations/extreme-weather-information-for-business/>

Information includes on looking after employees, operating safely, lodging insurance claims, finance and banking, and buildings and landlord responsibilities

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I have a further question

Please address further questions to standards@property.org.nz

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International Valuation Standard – 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.

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International Valuation Standard – Investigations (IVS 102 Investigations and Compliance)

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.

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International Valuation Standard – Weighting (IVS Glossary)

20.32. Weighting

The word “weighting” refers to the process of analysing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable

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NZIV Code of Ethics (extracts only)

- 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.
- 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:-
- 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.

General disclaimer - Cyclone Gabrielle (valuation uncertainty)

On 14 February 2023, Cyclone Gabrielle moved across the upper North Island of New Zealand and has become the country's most material weather event. The impacts of Gabrielle are significant. The effective date of this valuation is in the aftermath of the cyclone and in a period where there is significant valuation uncertainty due to the disruption and destruction caused by Cyclone Gabrielle.

Whilst the valuation takes account of the condition of the asset as at the inspection date (being the valuation date), the assessment is based upon evidence that occurred prior to Cyclone Gabrielle. The parties involved in those transactions had no knowledge of, nor could they have had any prospect of, the impact of Gabrielle. The real estate market is paused; and there is likely to be a vacuum of open market transactions for many months. Liquidity for most assets will likely be impaired, but otherwise any adjustment to the valuation to reflect the non-physical impacts of Gabrielle can only be speculative and therefore unsubstantiated.

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 Cyclone Gabrielle 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 because 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.

Source and thanks to Logan Stone

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Other disclaimers suitable for flooding, cyclone, earthquake and similar emergencies

Assumptions related to natural disasters

Underlying Assumption

[Region] has experienced [earthquakes /aftershocks / flooding and inundations / cyclonic activity] since [date/month/year]. The valuation figures shown in this report are based on the underlying assumption that the improvements and land forming the property are sound and that the effect of these events have not had a detrimental effect on the value of the property. It assumes that any insurance claims for both building and land damage are fully transferrable to future owners of the property.

Market Value

Our report cannot and does not take into account any consequence these events may have had on the market and are not evident at the date of our valuation.

Improvements

In preparing this report we have used all reasonable skills as a Valuer. We are not qualified to assess the structural integrity of the improvements on the property nor any repairs that may have been completed. Unless stated, we have not seen anything during our inspection of the property that would, alert us to any issue in respect of the property's structural integrity. We give no warranty as to the structural integrity of the improvements on the property.

Land

In preparing this report we have used all reasonable skills as a Valuer, but we are not qualified to assess the stability, load bearing capacity or integrity of the land. Unless stated, we have not seen anything during our inspection of the property that would, alert us to any issue in respect of the land's stability load bearing capacity or integrity. We give no warranty as to those issues in respect of the land.

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What are the government regulations surrounding valuers professional activity?

The Ministry of Business, Innovation and Employment (MBIE) have provided information specifically regarding Registered Valuer operations following Cyclone Gabrielle. This information is provided here:

https://propertyinstitute.nz/Attachment?Action=Download&Attachment_id=6928

The foregoing includes matters including:

- restrictions relating to entry of yellow, white and red placarded buildings
- the role of local authorities limiting the activities of professionals, including valuers, following a Rapid Building Assessment (RBA)
- obligations under the Health and Safety at Work Act 2015, as well as with compliance with instructions issued by Civil Defence Emergency Management
- links to an array of resources relating to employer responsibilities and what to do after a natural disaster.

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