

CLIENT FOCUS

Purpose

The purpose of the Client Focus section is to provide an outline of services available from Members. It also includes tools to assist clients in instructing Members. Additionally it provides advice on feedback to Members and the Institute.

Benefit Clients, Benefit Members

While it might be said (and rightly so) that the Institute's clients are its Members, the Members' clients (and in some instances their service providers) could be seen as de-facto clients of the Institute. Therefore, anything that the Institute can do to assist or benefit Members' clients should also benefit Members.

The Valuation and Property Standards Manual for the Benefit of Clients

The Manual is intended both for Members and their clients and interested third parties. It will give them a better understanding of the property profession and what can be expected of Members of the Australian Property Institute and the Property Institute of New Zealand. At the same time it will give Members a clearer focus as to what level of professional performance they should be providing to clients.

Client Needs

The main reason for being in business is to serve and benefit a client. Normally, benefits come to clients from solving clients' problems. This requires an understanding of clients' needs and an awareness that those needs are frequently changing. The Australian Property Institute and the Property Institute of New Zealand have strengthened their focus on Members' client groups and will assist their Members in the process of solving clients' property-related problems. Sometimes this will require direct dealings by the API or PINZ at high level in client organisations. The API and PINZ welcomes direct contact from clients at this level.

Expansion

This Client Focus section will be expanded in the future to provide greater assistance to clients in utilising Members' services especially as the era of electronic commerce develops. If clients would like to see anything in particular developed to assist them in dealing with Institute Members, the Institutes would be pleased to discuss requirements.

The Institutes trusts that the Manual, and this Client Focus section in particular, will benefit Members' clients.

Want to Know More?

Visit the API's Institute's web site at: www.api.org.au and/or the PINZ web site at: www.property.org.nz

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TYPES OF SERVICES PROVIDED BY API & PINZ MEMBERS

1.0 Introduction

1.1 Purpose

The purpose of this Client Focus element is to inform existing and potential clients of API & PINZ Members of the broad range of services Members can provide.

1.2 Property is Diverse

It is easy to think of property as real estate alone, yet there are many different classes of property. Property in a broad sense is anything which can be owned or in which an interest can be held, over which some control can be exercised, which can be traded or left in an estate or from which current or future rights to receive benefits can be held. Property can include, but is not limited to, real estate and associated interests therein, personal property, intellectual property, rights, licences and options, plant and machinery, art and jewellery, goodwill and shares. While the majority of Member activities are related to real estate and plant and machinery, the other areas are attracting some specialist focus.

1.3 Many Different Capacities

Members of the API & PINZ are involved with property in many different capacities in both the private and public sectors. You will find API & PINZ Members who are:

- Investment trust managers
- Rural property brokers
- Property developers
- Business brokers
- Property finance consultants
- Valuers (real estate and/or plant and machinery)
- Property researchers
- Asset managers
- Sales and leasing negotiators
- Portfolio managers

- Property managers
- Litigation specialists
- Legal practitioners (dual qualifications)

And within each of these capacities you could find Members who specialise in a particular type of property and/or activity. For example, a property developer may specialise in inner city commercial developments or residential land subdivision; a property manager may specialise in shopping centres; a valuer may specialise in hotel or motel valuation or in property acquisition or specialise in certain plant and machinery valuation.

1.4 Many Different Services

Many Members have extensive and varied experience in property. This enables them to perform a wide range of tasks on different types of property for varying purposes. You will find Members of the API & PINZ who can provide:

- Property and Advisory Services (see Business Focus 3 – Property Action Plans)
- Valuations and Feasibility Studies
- Sales, Acquisitions and Leasing
- Investment Analysis, Corporate Advisory and Research
- Property and Asset Management
- Property Funds Management
- Development and Project Management
- Plant and Machinery Valuations

API & PINZ Members are skilled, knowledgeable and experienced to identify and capitalise on opportunities, deal with threats and facilitate solutions to property problems. No matter what type of property, no matter what your purpose, needs or objectives, you will find a Member of the API or PINZ who will be able to assist you.

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INSTRUCTING VALUERS

A Guide for the Mortgage Industry

This Element of Client Focus is divided into two parts:

- Part A – Instructions and Supporting Documentation (what you should provide when instructing)
- Part B – Report Content (what valuers should provide in their reports)

plus Annexures:

- 1 – Model Standing Instructions (part of terms of engagement)
- 2 – Model Instruction Proforma (individual valuation instruction)

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PART A – INSTRUCTIONS AND SUPPORTING DOCUMENTATION

1.0 Introduction

1.1 Purpose

The purpose of this Client Focus element is to provide clients in the mortgage industry who are involved in instructing Valuers, with an understanding of what information should be supplied when ordering a valuation. It also provides an understanding of what information could be expected to be included in the Valuer's report.

1.2 Scope

The information contained in this element is for the understanding and benefit of clients in the mortgage industry who instruct Valuers or rely on their reports. This document may also be used by Valuers to assist in the service they provide to clients.

1.3 Expert and Impartial Report

For mortgage purposes, a Valuer provides an expert and impartial report on the property, highlighting the security risks associated while incorporating an estimate of the Market Value of a property. Valuers also assess, classify and reflect the separate influences that create, maintain or diminish value. Instructions to Valuers are an essential part of the process of obtaining a report that meets a lender's requirements and which addresses all the relevant issues.

1.4 Seek Further Advice In Areas Outside Valuer's Expertise

There are many areas in which Valuers do not claim to be experts. These include, for example, contamination matters, land surveys and legal interpretation of titles. Valuers will, however, if properly instructed report within the extent of their expertise, on the understanding that lenders will seek further advice where necessary on matters outside the Valuer's area of expertise.

1.5 Responsibility and Disclaim or Limit Liability

Valuers should be encouraged to view, enquire, analyse and report. This will only occur if there is a clear understanding between lenders and Valuers of their respective areas of responsibility in relation to the lending and valuation process and of the Valuer's right to disclaim or limit liability for matters outside the Valuer's area of expertise.

1.6 Market Value

The Australian Property Institute and Property Institute of New Zealand have adopted the International Valuation Standards Committee definition of Market Value:

the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

"Asset" includes property.

[Def. Market Value]

It is considered that the definition paraphrases the elements of Market Value as defined in *Spencer v The Commonwealth* and it is intended that it includes the essential elements of that definition.

1.7 Alternative Value

When preparing mortgage valuations, valuers should exercise caution in understanding valuations based on the doctrine of continuation of the existing use where that used is a specialised use which is not regularly traded in the market place (i.e it can not be supported by a body of market transaction sales evidence).

In circumstances where a valuation is to be relied on for mortgage purposes of a property which is not regularly traded in the marketplace, a valuation on the basis of highest and best alternative use as zoned should be undertaken for mortgage fund advancement purposes. In other words, in the even that the specialised use which is not regularly

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traded in the market place were to cease, a mortgagee in possession would most likely sell the property based on its highest and best alternative use as zoned.

The definition of alternative use value is one in the same as market value, however ignoring the existing use and adopting the highest and best use of the property under the existing zoning, town planning and development constraints.

1.8 General Purpose Instructions

These model instructions are for general purpose properties including commercial, industrial, retail, residential and other urban properties.

1.9 Going Concern

A valuation of a property and business trading as a going concern may require the use of further headings, information and documents.

2.0 Instructions to the Valuer

2.1 Letter of Instruction to the Valuer

A letter of instruction to the Valuer should state the Mortgagee's requirements and provide information to the Valuer in order to assist in the valuation. The information provided can reduce the time taken to complete the valuation, and, more importantly, provide the Valuer with information necessary to provide sound advice to the potential mortgagee. Set out hereunder, are the key elements of the letter of instruction, and the supporting documentation which, if available, should be provided. With specialised properties, such as hotels, motels and similar trading concerns, trading figures constitute essential information.

2.2 Form and Content

Instructions to a Valuer should issue from the Mortgagee or its representative, not the borrower. In New Zealand it remains common practice for instructions to be issued by either the borrower or mortgage broker. They should be in writing (or confirmed in writing if verbal initially) and should clearly specify:

- The instructing party and/or,
- The party or parties to whom the valuation is to be addressed.
- The use to which the valuation will be put, ie. mortgage lending, provisioning decisions on

existing loans, mortgage sale advice or other purpose.

- The basis of the valuation will be Market Value (unless requested otherwise).
- The interest to be valued, ie. freehold – fee "fee" simple; leasehold – lessor or lessee's interest; fractional freehold – partial interest.
- The nature of the property - owner occupied or subject to tenancy.
- The date of valuation will be the date of inspection (unless requested otherwise).
- That the valuation should be in accordance with appropriate API & PINZ Practice Standards and Guidance Notes.
- Any additional matters which the valuation should address.
- The basis of and responsibility for the Valuer's fee if not already agreed.
- Details for access and contacts for information and supporting documentation.
- Requirements in relation to supporting documentation.

2.3 Fee Paid by Instructor not Borrower

If there are difficulties in determining the basis of the valuation, advice should be sought from the Valuer. The Valuer's fee should be negotiated and paid by the instructing party, not the borrower. In New Zealand it remains common practice for the borrower to issue instructions and pay the fee.

2.4 Frequent Instructions warrant Standing Instructions

Where instructions are issued frequently to the same valuer or firm, it may be appropriate to incorporate terms of engagement into a set of Standing Instructions. As firms often have many clients, there is therefore the likelihood of multiple sets of instructions. The Institute therefore supports the adoption of the Model 'Standing Instructions' which are provided for you as Annexure 1 to this element.

2.5 Instruction Pro-forma

Where instructions issue frequently and are of a consistent nature, it may be expedient to use a pro-forma. A Model Instruction Pro-forma is provided as Annexure 2 to this element and may be used or adapted for your use. The API will

forward the layout by E-Mail or on disc should you wish, email national@api.org.au

3.0 Supporting Documentation

3.1 Supporting Documentation

The Valuer will review a number of documents in his investigations and is required to consider all matters affecting the value of the proposed security. Delays in completing a valuation are sometimes caused by the failure to provide all relevant details. The following discussion on individual documents should assist in determining those which should be available and provided with the letter of instruction. Information and documentation provided by the borrower to the Instructor should be identified as such by the Instructor when forwarding this to the Valuer, with where appropriate, an indication as to whether the Valuer should rely on the information or documentation or make further inquiries.

3.2 Certificate of Title Folio Identifier Survey

It is highly preferable that a current title search is considered by the Valuer and commented upon. Should a current search be available, it should be provided by the Instructor. If this is not available, the correct title description including Lot and Plan number, together with the Folio Identifier or Certificate of title reference, should be provided. If a site survey is available this should also be included.

3.3 Encumbrances

The Instructor should provide all details within its knowledge on matters affecting the title, for example, details of encumbrances, restrictions or encroachments. It is the Instructor's and/or solicitor's responsibility to confirm title information, encumbrances and restrictions set out in the Valuer's report and any divergence should be referred to the Valuer for comment and amendment of the valuation if necessary.

3.4 Town Planning

Obtaining a zoning certificate is time consuming and costly and often an excessive requirement for valuation purposes. The Valuer may make independent investigations but should qualify the valuation appropriately. If a current zoning

certificate is available it should be provided to the Valuer. The Valuer should be requested to indicate the source of town planning inquiries and to comment on the current use of the property in relation to the zoning.

3.5 Certificate of Compliance

Unless construction is obviously not in accordance with building regulations and other ordinances, the Valuer is likely to qualify the valuation to the effect that it is assumed that a Certificate of Compliance is available. Lending institutions may delay advancing funds until the certificate is obtained. It is important, therefore, for intending mortgagees to determine and advise the extent of documentation required. The borrower may be requested to provide information on compliance in some cases.

3.6 Building Plans & Specifications

Where a proposed or recently completed building or development is involved, detailed building plans and specifications if available, or schematic plans to scale, are of great assistance to the Valuer, and should preferably be a council-approved copy.

3.7 Tenancy Details

In most circumstances, depending on the nature of a valuation, the Valuer should not be requested or encouraged to rely solely on a tenancy schedule. The Valuer will usually need access to all lease documents and any supporting documents or collateral agreements of which the lender is aware. If only one or two leases exist, copies should be provided otherwise arrangements should be made for all leases and associated documentation to be available in one location for detailed analysis by the Valuer. A vacancy history should be provided. The Valuer may require the owner's consent to verify some lease details with tenants. Any tenancy which is not at arms length from the owner of the property should be identified to the Valuer.

3.8 Outgoings

For income producing properties, year-to-date budgeted outgoings with actual year-to-date comparisons, are required. If available, actual outgoings for the previous year and estimated outgoings for the ensuing year should also be provided. Any extraordinary items, such as capital works, should be brought to the attention of the Valuer.

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3.9 Miscellaneous Documents

Documentation on pest control, structural stability reports, environmental audits, Department of Main Roads searches, soil surveys, permissive occupancies, licences, environmental impact statements, engineering reports on plant and machinery, should all, if possible, be made available to the Valuer. It is rare for all these to be made available, however, if they are, the end report will give the user more confidence in the property as a security. If any of these searches is not provided, the Valuer may qualify the report appropriately.

3.10 Trading Figures

Where the property and business operates as a "going concern", trading figures must be supplied or made available. Ideally an audited three year history of trading figures should be provided. Insufficient or poorly documented trading figures are likely to affect the marketability and the value of the going concern and its suitability as a security.

3.11 Turnover

Shopping centre leases often contain clauses where rent is based on turnover. To assist the Valuer to assess the potential rental growth, a full history of turnover should be available. Three years or more is preferable. However, due to changes of ownership and the constant re-mixing of centres, the Valuer may only have one or two year's trading results to consider.

3.12 Environmental Issues

Where an Instructor has an environmental assessment report or other environmental documentation which may affect the value of the property, this should be provided. Should the Instructor be aware of any matters which could affect value, or should they have specific environmental policy directives for the type of property, or for the type of industry located on the property, the Valuer should be advised before the time of inspection.

The Valuer is not usually able to provide expert advice on site contamination and this should be acknowledged by lenders so as to encourage Valuers to attempt to identify and report on any possible problems.

The Lender or its solicitor should carry out a search of the STATE or LOCAL AUTHORITY

CONTAMINATED SITES REGISTER where it deems it necessary and advise the Valuer of the results.

3.13 Properties Under Construction 'As if Complete'

Where the Valuer is required to value a property under construction on the assumption of 'as if complete' (which assumes the development to be in a completed state as at the date of valuation and reflects current market conditions), the Instructor should provide or arrange supporting documentation for the development. The Valuer should always be requested to provide an 'as-is' valuation (valuing the property with the project to its current stage) as well as the 'as if complete' value.

3.14 Report Qualifications

Where a Valuer has been instructed to value a property subject to certain assumptions (completion of construction, signing of leases, etc) the Valuer should qualify the report accordingly. It is important that the lending officer confirms such events (in the case of lease signing) or withholds funds (in the case of construction).

3.15 Verbal Enquiries

Due to time delays in obtaining certain information (eg. town planning information) the Valuer may rely on verbal inquiries in these circumstances and the report should be qualified accordingly.

PART B – REPORT CONTENT

4.0 Report Content

4.1 Comply with Institute Standards and Guidance

The Australian Property Institute and the Property Institute of New Zealand have developed and continues to develop Practice Standards and Guidance Notes as well as Client and Business Focus sections. These elements, along with the Code of Ethics and Rules of Conduct are incorporated in the Valuation and Property Standards Manual. A lender may elect to simply instruct that the valuer should comply with, and give due recognition to, these elements as far as they apply to the type of property, purpose, issues and professional conduct in the provision of the service including the content of the report.

4.2 Report Headings

Alternatively, the Instructor may choose to indicate to the Valuer what should be included or emphasised in the valuation report. This may be done conveniently by the provision of a list of headings indicating matters to be reported upon.

4.3 Common Report Headings

The matters considered by a Valuer will vary according to the type of property (industrial, retail, commercial, special purpose, etc) being valued and the purpose of the valuation. They could include the following:

- Valuation Summary
- Introduction
- Land & Title
- Location
- Site Description & Services
- Town Planning/Resource Management
- Statutory Valuation & Charges
- Improvements
- Environmental Matters
- Comments on the Property
- Basis of Valuation
- Tenancy Details

- Valuation Rationale or Approach
- Market Review or Summary
- Risk Analysis
- Valuation
- Qualifications and Disclaimers

The degree of detail provided may also be varied to suit the clients' requirements. The Valuer should consider the property in relation to relevant Institute Practice Standards and Guidance Notes. Pro-forma reports may be provided on some properties. The Australian Property Institute has a pro-forma report format known as PropertyPro

Residential Valuation and Security Assessment (with attendant Supporting Memorandum) specifically for mortgage purposes. Its use is encouraged where a brief report is required on individual residential properties.

PropertyPro is not applicable in New Zealand at this stage.

4.4 Annexures or Report Inclusions Where Appropriate

The report may be supplemented by annexures:

- Location Map
- Certificate of Title or Folio Identifier
- Other Searches
- Deposited Plan
- Strata/Unit Plan
- Zoning Certificates (if available)
- Tenancy Schedule
- Sales Evidence* * If not in the body of report.
- Rental Evidence*
- Valuation Calculations*
- Any Other Relevant Documentation
- Photographs
- Authorities/Persons Consulted

4.5 Report Content

The Valuer should incorporate the headings required by the Instructor and address points contained within each heading where such points are appropriate for consideration. Information

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supplied by the Instructor and assumptions required to be made should be treated as follows:

4.6 Information Provided Critically Appraised

Information provided by a borrower or by any other party (including the lender) should be verified by the Valuer as far as possible and critically appraised.

4.7 Defined Assumptions

If instructions include the requirement to base the valuation on defined assumptions, the assumptions should be acknowledged and included in the Valuer's report.

4.8 Unrealistic or Unusual

Any assumptions or instructions which are either unrealistic, unusual or abnormal should be drawn to the attention of the lender and highlighted in the report. In some circumstances the requirements of the instructing party may be such that the instructions should be declined.

4.9 Contents

Valuation Summary

A comprehensive style report will usually feature an executive style summary prior to the body of the report. As well as capturing the essence of the report and highlighting any significant risks, it will usually include a certified valuation.

Introduction

- The person/party for whom the valuation is being prepared.
- Details of the instructions including any special conditions and/or assumptions.
- The date and basis of the valuation.
- The purpose for which the valuation is to be used, e.g. mortgage purposes.

Land and Title

- The title reference of the property and the title description.
- The name of the registered proprietor(s).
- The identification and reporting of title encumbrances such as easements, covenants, rights of carriageway. Comments should be made on the effect of any such matters under the valuation section of the report.

- Note which leases are registered on title and also note their expiry dates.

Location

- A general description of the location of the property and its access, the availability and accessibility of public transport.
- Comments on the nature of the surrounding development and land use.
- Proximity to major centres, educational facilities and retail facilities.
- Special features relating to the property such as views, adjoining developments, recreational facilities, etc.
- Any signs of apparent potential contamination from surrounding properties.

Site Description and Services

- Comment on the nature of the site, the dimensions and area, any positive or negative features and the siting of any buildings.
- Identify the services connected and available to the property.
- Comment on any potential flooding or landslip problems.
- Comment on site accessibility, roads and the nature of the traffic in the area.
- Visually identify any site problems such as any readily apparent contamination, drainage problems, obvious encroachments, filled ground.

Comment on any other relevant factors such as alternative access, impact on property of adjoining or neighbouring development.

Town Planning/Resource Management

- The report should provide details on the current zoning/planning area.
- Comment if the use of the property constitutes a non-conforming use under the town planning guidelines and whether the property has the apparent benefit of existing use rights.
- Comment on development codes, site ratios, development guidelines and densities where appropriate.
- The Valuer should inquire, if possible, as to any intention of Council to amend the planning scheme and if the property is

affected by any detrimental or beneficial planning proposals.

The Valuer should provide brief details of any current development consent affecting the property and any conditions to that consent affecting the valuation or the proposal.

Statutory Valuation and Charges

- Provide relevant information regarding statutory valuations and assessments for rating and taxing purposes.

Improvements

- Provide a description of the improvements including the materials used in construction and the accommodation provided with, where appropriate, gross building areas and/or net lettable areas. It may be necessary to define these terms.
- Comment on any detrimental features or unusual matters and the requirement for refurbishment or upgrading.
- Comment on the age and condition of the improvements including observable building deterioration and any recent upgrading/ refurbishment works. Emphasise any adverse structural features.
- Where appropriate the Valuer should comment on the suitability of the improvements to the current use of the property and on any economic or functional obsolescence factors.
- Comment on the specialised nature of any of the improvements or features of the property.
- Comment on possible alternative uses particularly for specialised properties.
- Comment on any obvious non-compliances with statutory codes or fire provisions and recommend any expert advice where necessary.
- Comment on the effect of any outstanding orders where these are discoverable by reasonable verbal enquiry.
- For development proposals a description should be provided under the heading 'Proposed Improvements' and comment should also be made on any condition of the development consent affecting the proposal.

Environmental Matters

- The existence of any past, current or potential environmental hazard or contamination

should be reported to the lender if identified by the Valuer. If necessary the Valuer should advise the requirement for an environmental audit before proceeding with the valuation. Where an adequately detailed environmental assessment report is available the Valuer should comment, if possible, on the effect of the contamination on the value and marketability of the property.

Comments on the Property

- A summary comment on the property may be appropriate especially relating to how they affect the marketability of the property:
- Locational factors both positive and negative.
- The overall state of the improvements and their functionality.
- Foreseeable or likely changes to or affecting the property.
- Actual or potential obsolescence factors affecting the buildings and the property.
- Observations in relation to statutory compliances.
- Any other features, disadvantages or unusual features.

Basis of Valuation

- The Valuer will provide an assessment of the Market Value of the property as at the date of inspection.
- Owner occupied properties shall be valued on a vacant possession basis for valuations for lending purposes.
- Tenancies or leases which are not at arms length should be ignored.
- The valuation should (where applicable) indicate inclusions and exclusions within the valuation assessment.
- The Valuer should consider the highest and best use before arriving at the valuation.
- Any assumptions made by the Valuer should be clearly highlighted under this heading.
- Information provided by the intending borrower must be critically assessed by the Valuer and acknowledged in the report.

Tenancy Details

- The valuation shall have regard to the existing tenancy position, subject to the points under 'Basis of Valuation'.

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- Where the property has lease structures in place, the Valuer will provide details of tenancy information either within the body of the report, or as an annexure.
- The Valuer will have regard to and confirm the actual rentals received, and should comment on current market rental levels, potential future vacancies, re-lettability, letting-up allowances and costs and the tenants' liability for the payment of outgoings.
- The Valuer will have regard to the impact of impending and other rental reviews, the basis of such reviews, the remaining term of each lease (and option periods) and other relevant matters. If leases have not been sighted the Valuer should clearly state this in the report.
- A schedule of arrears of rental and outgoings should be obtained if applicable and details of any tenancy disputes.
- The Valuer is to comment on achievability of rental levels for proposed developments, letting up periods, incentives required and competition in the market from other similar developments.

Valuation Rationale Or Approach

- The Valuer will indicate to the mortgagee the basis upon which the valuation has been assessed, i.e. capitalisation of net income, direct comparison, summation or discounted cash flows.
- Details of comparable sales and other market evidence should be discussed in relation to the subject property. Where the Valuer has selected one or more methods of valuation, all matters considered in these methods should be outlined or detailed for the mortgagee, eg. rental shortfalls or overages, identification of outgoings, allowances for continuing vacancies, items identified as being of a capital nature for which an allowance must be made, monies required to complete the construction of the property, profit and risk factors, letting up periods, note of salient assumptions made within the discounted cash flows as to rental growth, outgoings growth, terminal yields and discount rates.
- A reconciliation of the various valuation approaches used may be required and the Valuer should justify the conclusions accordingly.

- Advise on what level of current and potential competition exists in the market for the letting and sale of the property.

Market Review or Summary

- Valuers should provide an overview of market conditions in relation to the property being considered and comment in relation to supply and demand. There should be some identification of the kind of demand, ie. owner occupier, investor or other and the general trends in the market which are apparent at the time.

Risk Analysis

- Valuers should provide a Risk Analysis appropriate for the type of property and its Market Value.

Valuation

- This will certify the Market Value of the property at the relevant date for mortgage lending purposes subject to any qualifications in the report.
- The Valuer should certify if requested that neither the valuer nor the firm has any interest, financial or otherwise in the property or the outcome of the loan application.
- For properties under construction or development the valuation figure should be CLEARLY IDENTIFIED AS A VALUATION 'AS IF COMPLETE'. This should be subject to the issue of the appropriate building or other certificates and a final confirmation by the Valuer at completion.

Qualifications and Disclaimers

- The Valuer may include a qualification as to the intended use of the valuation identifying the party or parties relying on the report.
- Any qualifications on other matters contained in the report, should be included within the body of the report at the appropriate place, and/or next to the valuation, and/or as an annexure.
- Any disclaimer required by the Valuer's professional indemnity insurer should be included.
- Any other disclaimer.

Annexure 1 – Model ‘Standing Instructions’

<Lender’s Name>

PREAMBLE

This document serves to set down the professional and service standards required by <Client Name> as lenders, engaging <Firm Name> as valuers to report on property for mortgage purposes.

It is set down in two parts:

Part A – Professional Standards

Part B – Service Standards

PART A – PROFESSIONAL STANDARDS

1. <Client Name> recognises that the Australian Property Institute (API) / Property Institute of New Zealand (PINZ) is the representative professional body for property professionals including valuers.
2. The API/PINZ has developed and continues to develop Practice Standards and Guidance Notes as well as Client Focus and Business Focus sections. These elements, along with the Code of Ethics and Rules of Conduct are incorporated in the Valuation and Property Standards Manual.
3. <Client Name> requires <Firm Name> to comply with, and give due recognition to, these elements as far as they apply to the type of property, purpose, issues and professional conduct in the provision of services to <Client Name>.

PART B – SERVICE STANDARDS

The Lender

For its part <Client Name> as lender, agrees to supply:

- Instructions in writing which will normally be forwarded by <means>.
- Information as recommended in the API / PINZ document Client Focus 2 sufficient for <Firm Name> to undertake its instructions. Should <Firm Name> consider that insufficient information has been provided for the purpose of the assessment and the type of report required, <Client Name> should be contacted immediately.

<Client Name> will pay accounts by <method> and on a <time> basis.

The Valuer

For its part, unless specifically instructed to the contrary, <Firm Name> as valuers, will delegate specific instructions to a qualified and appropriately experienced member of the firm (unless a particular valuer is nominated) and agrees to provide:

Report Format <specify>

Turn Around Time <specify if appropriate>

Report Delivery <specify method(s) if appropriate>

<Firm Name> encloses evidence of its current Professional Indemnity Insurance Policy in the sum of \$<amount>.

Signed: _____ <Client>

Signed: _____ <Firm>

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Annexure 2 - Instructions for Valuation & Security Assessment

To VALUER:	<Firm Name>	Fax/E-Mail		
From LENDER:	<Client Name>	Date:		
Business Unit:		Phone: <Personal Contact>		
Postal Address:		Fax:		
Street Address:		Reference 1:		
(for courier)		Reference 2:		
Borrower:		Reference 3:		
		Reference 4:		
Loan Amount:	\$			
Contract Price:	\$	E.M.V.:\$		
Purchaser's Solicitor:		Phone:		
REQUEST: Please provide a Valuation and Security Assessment on the following property:				
Type of Property:				
Address:				
Legal Description:				
Please Provide for	<input type="checkbox"/> PropertyPRO Residential Valuation & Security Assessment (RV&SA)			
Mortgage Purposes:	<input type="checkbox"/> Short Form Valuation & Security Assessment			
	<input type="checkbox"/> Comprehensive Valuation & Security Assessment Report			
Special Instructions:				
FOR THE REPORT:				
Date of Valuation:	<input type="checkbox"/> Date of Inspection	<input type="checkbox"/> Other: / / <Year>		
Interest to be Valued:	<input type="checkbox"/> Fee Simple vacant possession basis	<input type="checkbox"/> Other:		
If subject to Lease(s):	<input type="checkbox"/> Yes – Rent \$	Expires: / / <input type="checkbox"/> No		
Copy of Lease(s):	<input type="checkbox"/> Enclosed	<input type="checkbox"/> Available From:		
Plans & Specs:	<input type="checkbox"/> Enclosed	<input type="checkbox"/> Available From:		
Tender/Quote:	<input type="checkbox"/> Enclosed	<input type="checkbox"/> Other Documents Enclosed:		
ACCESS/KEYS:				
Contact's Name/s:	Phone – am/pm:			
	Phone – am/pm:			
Directions:				
Vendor:	Phone – am/pm:			
Tenant's Name:	Phone – am/pm:			
REQUIRED:	<input type="checkbox"/> URGENTLY	<input type="checkbox"/> BY	<input type="checkbox"/> A.S.A.P.	
REPLY:	<input type="checkbox"/> FAX	<input type="checkbox"/> E-Mail	<input type="checkbox"/> COURIER	<input type="checkbox"/> POST
FEE:	\$	<input type="checkbox"/> PLEASE QUOTE		
PAYMENT:	<input type="checkbox"/> ON ACCOUNT	<input type="checkbox"/> HEREWITH	<input type="checkbox"/> IN MAIL	<input type="checkbox"/> COLLECT

RESIDENTIAL DESKTOP ASSESSMENT - ADVISORY NOTE

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SECTION A - INTRODUCTION

Preamble

- 1 The purpose of this Advisory Note is to provide a basis upon which Members of the Australian Property Institute (API) (Members) should prepare residential Desktop Assessments.
- 2 The Advisory Note may also be used by Members' Clients to understand the procedures adopted in preparing Desktop Assessments and how they should be used.
- 3 The API considers that Desktop Assessments are suitable only for use by Members or Members' Clients for mortgage security valuations of residential property. In addition Desktop Assessments should only be used in connection with transactions which represent a low to moderate lending risk and, then, only where the requirements of this Advisory Note have been otherwise met.
- 4 The Valuer is providing an Indicative Assessment (with conditions) of the Subject Property, based on the information obtained, following the procedures set out in this Advisory Note and / or contractual agreement.
- 5 The Indicative Assessment is not, and should not be construed to be, a representation as to the Market Value of the Subject Property, as defined in the Valuation and Property Standards Manual and the Practice Standards and Guidance Notes contained therein. A Desktop Assessment is merely an Indicative Assessment made without the benefit of an inspection of the subject property. If a formal valuation of the subject property is made based on an inspection it may vary significantly from the results of any Desktop Assessment. Clients should be aware that the Desktop Assessment methodology carries with it risks which entail a degree of likely variation greater than might be expected to be produced by a Valuation.
- 6 The subject property is not inspected by the valuer.

Status and Scope

- 7 Members undertaking Desktop Assessments should comply with this Advisory Note.
- 8 Compliance with the Advisory Note means Members should:
 - 8.1 make their Clients aware of this Advisory Note;
 - 8.2 meet minimum qualifications criteria;
 - 8.3 ensure that sufficient Information is obtained; and
 - 8.4 follow all procedures required by this Advisory Note.

Terminology

- 9 A Desktop Assessment is a report prepared:
 - 9.1 by Valuers relying on specified documents and information; and
 - 9.2 that does not involve an inspection of the Subject Property; and
 - 9.3 that produces an Indicative Assessment (with conditions) of value of the Subject Property.
- 10 Other definitions which apply to the terminology used throughout the Advisory Note are contained in Annexure A. Defined terms are indicated by use of highlighting.

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SECTION B - PRELIMINARY ISSUES

Contractual arrangements

- 11 Clients requesting Desktop Assessments should be made aware of the process being undertaken by the Valuer in preparing a Desktop Assessment (as distinct from any other Valuation Services provided by Members). The Valuer should provide a copy of this Advisory Note to Clients instructing the Valuer to prepare Desktop Assessments.
- 12 If the Valuer is not able to comply with this Advisory Note in preparing the Desktop Assessment, the Valuer should:
- 12.1 confirm that a Desktop Assessment cannot be completed;
 - 12.2 recommend an alternative Valuation Service or Restricted Valuation if appropriate; and
 - 12.3 not issue the Desktop Assessment (complete or incomplete) to the Client.

Understanding

- 13 Valuers preparing Desktop Assessments should be familiar with this Advisory Note.
- 14 API members using Systems to prepare Desktop Assessments should ensure that there is adequate training of the System prior to undertaking a Desktop Assessment using the System.

Valuer qualifications

- 15 Desktop Assessments should only be prepared by Valuers who are:
- 15.1 current members of the API (CPV or RPV); and
 - 15.2 registered Valuers (in accordance with the relevant State/Territory requirements); and
 - 15.3 continuously engaged in the provision of Valuation Services for at least 50% of their overall practising time; and
 - 15.4 continuously engaged in the provision of Valuation Services within the appropriate postcode. The valuer should have sufficient knowledge of the area within which the subject property is located for a period of not less than 6 months.
- 16 Where a Valuer is not able to satisfy the requirements set out in paragraph 15, the instruction to prepare a Desktop Assessment should be declined. The Valuer may, however make recommendations and accept alternative instructions from the Client to provide Valuation Services and/or a Restricted Valuation.

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SECTION C - DESKTOP PROCUREMENT AND RISK

General

- 17 Desktop Assessments require the Valuer to be specifically instructed not to perform certain aspects of the processes involved in preparing Valuations including, but not limited to the inspection of the Subject Property. The aspects of the usual valuation that are not completed in preparing a Desktop Assessment include, inter alia, the following:
- 17.1 An internal or external inspection;
 - 17.2 Land Topography and Aspect;
 - 17.3 Roads and Access;
 - 17.4 Site Defects;
 - 17.5 Impact of adjoining development;
 - 17.6 Environmental Risks;
 - 17.7 Encumbrances;
 - 17.8 Permissible Land Uses and Land Use Conformity;
 - 17.9 Improvements; and
 - 17.10 Leases and Tenancies.
- 18 Due to these aspects of the usual valuation process not being completed there are risks that the outcome of a Desktop Assessment may be inaccurate. These include:
- 18.1 the risk of inaccuracy of information contained in the Desktop Assessment as compared to Valuations is increased;
 - 18.2 the fact that the Valuer cannot verify the accuracy of information contained in a Desktop Assessment as would be provided in a Valuation; and
 - 18.3 the fact that Desktop Assessments will have significant limitations when compared to Valuations, including a greater degree of variation in the resulting Indicative Assessment.

Allocation of risk

- Acceptance of Commercial Risks of a Desktop Assessment.
- 19 The API considers that there are inherent risks to a Lender / Client who relies on a Desktop Assessment but acknowledges that the Lender / Client has expressed a commercial need for such an assessment to be carried out by Valuers.
- 20 The Lender / Client expressly acknowledges and confirms that:
- 20.1 in producing the assessment contained in the Desktop Assessment, the Valuer has not carried out the usual range of enquiries that a Valuer is required to make by professional practice standards (as determined by the API and at law) in carrying out a Valuation of property and that this is at the specific request of the Lender / Client; and
 - 20.2 the Lender / Client fully understands and accepts the risks inherent in such circumstances.
- 21 Accordingly, but subject to compliance by the Valuer with the requirements of the Desktop Assessment, this Advisory Note and the stated instructions of the Lender / Client, the Lender / Client agrees that it will have no cause of action against the Valuer whether in contract tort or otherwise by reason only that the Lender / Client suffered loss or damage by relying upon a Desktop Assessment.
- 22 Furthermore the Lender / Client acknowledges that it accepts that a Desktop Assessment is not and will not be construed to be a valuation in the same meaning as a valuation conducted in accordance with the General Concepts, Principles and Definitions as detailed in the standards promulgated by the API, which is based on an inspection of the subject property.
- 23 The Lender / Client further agrees that it will indemnify the Valuer against any claim for loss or damage by a third party invited or permitted by the Lender / Client to rely upon a Desktop Assessment, whether arising in contract tort or otherwise and

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arising out of or in conjunction with reliance by that third party on a Desktop Assessment.

- 24 The Indemnity to be provided by the Lender / Client will not apply where the valuer has been fraudulent or dishonest.
- 25 Valuers shall not assign, readdress or re issue Desktop Assessments.

Risk management

- 26 In an effort to reduce the risks associated with the use of Desktop Assessments (as described in this Section C), the Valuer should adopt a procedure whereby:
 - 26.1 the instruction from the Client is checked to ensure that the Subject Property is not of a type considered unacceptable by the API (Annexure B);
 - 26.2 sufficient Information is obtained before a Desktop Assessment can be completed or issued.
- 27 It is the responsibility of Lenders / Clients to prepare appropriate and prudent risk management protocols to ensure that Desktop Assessments are used only in low to moderate risk categories.

Risk categories

- 28 The API considers that the following transaction types are unacceptable for Desktop Assessment:
 - 28.1 all non-residential mortgage lending;
 - 28.2 all lending on security other than a first registered mortgage;
 - 28.3 all lending transactions connected with non-arms length sales; and
 - 28.4 transactions where the security consists of, or includes, more than one security property located within a single development.

This list is not intended to be exhaustive.

- 29 The API considers certain categories of property to be unacceptable for Desktop Assessment. Annexure B to the Advisory Note is a non-exhaustive list of these unacceptable properties.
- 30 It is expected that the Client/Lender should implement procedures to monitor:
 - 30.1 the compliance of their internal procurement practices with this Advisory Note and / or specific contractual arrangements;
 - 30.2 the compliance of Valuers and/or Valuation Firms retained by the Client/Lender to provide Desktop Assessments with this Advisory Note and / or specific contractual arrangements.

SECTION D: DESKTOP PROCESS

Information

Essential

31 It is essential for a Lender / Client instructing a valuer to prepare a Desktop Assessment to provide to the valuer, at the time of first issuing instructions, all information required in this section. The essential Information to be provided by the Lender / Client to enable a Valuer to complete a Desktop Assessment is:

31.1 The Subject Property data, namely:

31.1.1 full property address;

31.1.2 legal description¹;

31.1.3 purchase price (if applicable);

31.1.4 land area or plan with measurements;

31.1.5 property type (vacant land, residential dwelling, townhouse, unit);

31.1.6 external improvements (eg, swimming pool);

31.1.7 main building type;

a) approximate build date;

b) details of significant renovations including date;

31.1.8 main walls and roof;

31.1.9 number bedrooms, bathrooms;

31.1.10 car accommodation (eg, garage, car port or car space); and

31.1.11 services;

31.1.12 a full copy of the contract (where Desktop Assessment sought in connection with a purchase or proposed purchase) and any other contractual arrangement affecting price.

(Collectively referred to as Subject Property Data); and

31.2 At least two visual identifiers of the Subject Property from the following categories:

31.2.1 Location map;

31.2.2 property frontage photograph; or

31.2.3 aerial/cadastral photograph.

32 The Valuer should obtain all Subject Property Data from the Client and/or the Customer (or Third Party) collectively. In the event that not all Subject Property Data can be obtained from the Client and/or Customer (or Third Party) collectively, the instruction to prepare a Desktop Assessment should be declined. The Valuer may, however make recommendations and accept alternative instructions from the Client to provide Valuation Services or a Restricted Valuation.

Sales Evidence

33 Sales Evidence is to be collected for 4 comparable properties each of which should:

33.1 have transacted within the last six months; and

33.2 be known to the Valuer based upon a prior inspection by the Valuer or by a qualified valuer within the Valuer's firm.

Indicative Assessment

34 The Valuer is providing an indication of the value of the Subject Property, based on the information obtained, following the procedures set out in this Advisory Note (Indicative Assessment).

35 The Indicative Assessment (with or without conditions) is not a representation as to the Market Value of the Subject Property, as defined in the Valuation and Property Standards Manual and the Practice Standards and Guidance Notes contained therein. Clients should be aware that the Desktop Assessment methodology carries with it risks which entail a degree of likely variation greater than might be expected to be produced by a Valuation.

¹ Unless stated otherwise, fee simple with vacant possession is to be assumed. The Valuer is not expected to search the title or to enquire about any leases or occupancy rights.

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Reporting requirements

- 36 All notes, revised instructions and changes made to documents provided and collated as part of the Desktop Assessment process are to be maintained on the Valuer's file (hard copy or electronic).
- 37 Systems used to prepare Desktop Assessments may provide an audit trail of any changes made to System during the Desktop Assessment process. All changes should be logged by reference to the user, time and date of change. The Valuer should have access to this log trail at all times.

Security

- 38 Valuers using a System to prepare Desktop Assessments should ensure that:
 - 38.1 details necessary to access the System are kept secure and not misused; and
 - 38.2 any electronic signature generated as part of the System is used only by the Valuer.

ANNEXURE A: DEFINITIONS

Term	Meaning
Certified Practising Valuer (CPV) or Valuer	A Valuer meeting the requirements for Certified Practising Valuers as defined by the API.
Client	The party instructing the Valuer to prepare the Desktop Assessment. The Client may be the Supplier, Lender or a financial intermediary.
Continuously engaged	A Valuer is continuously engaged in the relevant postcode where the Valuer has undertaken multiple valuations of that type over the whole (and note merely some part) of the period specified.
Customer	A person who seeks to grant a mortgage over the Subject Property to the Lender in support of a proposed Loan.
Desktop Assessment	A report prepared: <ol style="list-style-type: none"> 1) by Valuers relying on specified documents and information; and 2) that involves no inspection of the Subject Property; and 3) that produces an Indicative Assessment of value of the Subject Property.
Indicative Assessment	An indication of the value with any limiting conditions of the Subject Property, based on the information obtained, following the procedures set out in this Advisory Note.
Lender	The financial institution issuing instructions (or on whose behalf instructions are issued) to the Valuer. The Lender may have the same meaning as the Client.
Essential Information	Essential information, specified in the Advisory Note, that the Valuer requires in order to conclude the Desktop Assessment.
Non-Essential Information	Information that may be of assistance to the Valuer in preparing the Desktop Assessment but is not Essential information.
One-Off Services	Desktop Assessments requested by a Client where the instructed Valuer is not part of a panel of approved Valuers who provide Valuation Services to that Client.
Advisory Note	This Desktop Assessment Advisory Note produced by the API (including any API revisions, updates or additions from time to time).
Property PRO™	Valuations prepared in accordance with the API Property PRO™ Residential Valuation and Security Assessment Supporting Memorandum.
Restricted Valuation	A valuation prepared in accordance with the API Restricted Valuation Supporting Memorandum.
Sales Evidence	Sales data that relates to properties that have characteristics comparable to the Subject Property.
Subject Property	The property for which the Client instructs the Valuer to prepare a Desktop Assessment report.
Supplier	A party that acts as an intermediary between Lenders and Valuers in connection with the procurement by the Lender of Valuation / Desktop Assessment services. The Supplier typically: <ul style="list-style-type: none"> • issues instructions to Valuers to prepare Valuations and/or Desktop Assessments for Lenders. • owns the System.
System	Any computer system, portal, database, application service, program or any other technology utilised: <ul style="list-style-type: none"> • in preparing Desktop Assessments; and/or • to track, deliver, produce and coordinate Desktop Assessments.
Valuation	A valuation carried out in accordance with the General Concepts, Principles and Definitions of the Valuation and Property Standards Manual, excluding Desktop Assessments and Restricted Valuations.
Valuation Services	Preparing market valuations based on inspecting the subject property (including sales analysis and property inspections and other ancillary work) required for the preparation of Valuations.

ANNEXURE B: UNACCEPTABLE PROPERTY TYPES LISTED BY API

- 1) Any property under construction or a new house and land package.
- 2) Any security property known or disclosed to be greater than 2.2 hectares in land size.
- 3) Any property known or disclosed to be zoned for other than residential purposes.
- 4) An income-producing rural property.
- 5) Part of a development which has been converted from another usage.
- 6) Serviced apartments.
- 7) Properties designed, zoned or used for commercial purposes (excluding residential usage units in a commercially zoned development).
- 8) Properties that are unique, or have restricted usage.
- 9) Properties to be constructed by an owner-builder (in whole or part).
- 10) Leasehold properties other than Crown lands in the ACT.
- 11) Purple title (WA) or Moiety title (SA).
- 12) Under a 'timeshare' arrangement.
- 13) Land subject to licence to occupy.
- 14) Limited title (any defects).
- 15) Mobile or temporary homes.
- 16) Boarding houses/homes supporting residential services.
- 17) Land/improvements contaminated.
- 18) Properties 'leased for life' covenants on title.
- 19) A strata unit of less than 40 square metres.
- 20) Crown land (excluding the ACT).
- 21) Properties under the Western Lands Act.
- 22) Properties purchased off-the-plan.
- 23) Properties within a known flood height level higher than the lowest floor level.
- 24) A multiple occupancy security that is a single property comprising of more than one unit of living accommodation.
- 25) A property located on an island without sealed road connection to the mainland (excluding Tasmania).
- 26) A studio apartment or bed-sitter (no separate bedroom).

FEEDBACK TO API AND PINZ MEMBERS AND/OR THE API/PINZ

1.0 The Importance of Relevant and Timely Feedback

1.1 Purpose

The purpose of this Client Focus element is to outline for clients of API or PINZ Members the importance of providing feedback on the services provided and to let it be known that the Australian Property Institute and New Zealand Property Institute is also interested in receiving feedback, not only on the performance of its Members but also on the Institute's itself.

1.2 Importance of Clear and Precise Instructions

Clear and precise instructions are an important part of receiving service that delivers the level and type of output clients require. Sometimes, though what is delivered may not meet requirements. Causes may include misunderstanding or failure to comply with API or PINZ Code of Ethics, Rules of Conduct, Practice Standards or reasonably align with Guidance Notes.

1.3 Feedback before Acting on Advice if Concern

It is important for clients to realise that it is totally reasonable and preferable for them to check back with the service provider for clarification, correction or supplementation whenever it is perceived that any output does not meet requirements of the instructions or professional expectations. This feedback should be done before acting on the advice provided.

1.4 Members to Respond

It is the Member's professional responsibility to respond to any reasonable queries or feedback even though no additional fee is offered. However the Institute recognises that in the case of additional work resulting from unclear original instructions or variation to the original instructions, it may be appropriate for the Member to seek an additional fee.

1.5 Positive Response to Exceptional Service

The Institute also encourages clients to respond positively to its service providers where the level of service or advice is considered to be exceptional. Further if this feedback is provided to the Institute, it can develop a better understanding of what clients would like to receive and look to measures that might raise the overall standard of its Members.

1.6 Feedback to Institute if Concern

At the same time the Institute recognises that there will be occasions when a client considers that the quality of the service provided seriously falls short of its expectations or those of the Institute's Code of Ethics, Rules of Conduct, Practice Standards or Guidance Notes. While a client may be reluctant to lodge an official complaint, the Institute would nonetheless like to be made aware of the client's perception. This can even be done without advising the Member's name if so desired. The communication may include all or part of a report to highlight any concern. It should be addressed to the Divisional Office of the API in the state in which the Member's office is located or national office of the PINZ.

1.7 Importance of Feedback

It is important for the reputation of the membership at large that the Institute is informed. This way it can consider if what is raised is a one-off issue or something that is becoming a more widespread issue to be addressed with the membership at large. If the Institute considers it important for the Member involved to be counselled, it may request that the Member's name be revealed, but this will ultimately be up to the client.

1.8 Institutes Performance

The Institutes would also like to know how Member's clients as well as Members feel about the performance of the each Institute. Again it is by being aware of how the Institutes are

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perceived that they can review what they do and how they do it so as to benefit and be relevant to Members and their clients. Such comments should be forwarded to the API National Secretariat in Canberra or the PINZ National Secretariat in Wellington.

Contact Details for the API and PINZ are located on page 16.5.1.