

Australian Banking & Finance Industry

ADDENDUM

Special Instructions

Residential Valuation Standing Instructions

For PropertyPRO Valuation Reports

API Declared Crisis/State of Emergency

30 March 2020

A stylized illustration of buildings in shades of blue and teal. The buildings are simplified shapes with white window patterns. They are set against a light blue gradient background. The buildings are arranged in a row, with a taller one in the center and shorter ones on either side. The foreground shows the base of the buildings, which are also in shades of blue and teal, creating a sense of depth.

The following **Addendum** provisions align and run concurrently with those contained in the ABFI Residential Valuation Standing Instructions Version 2.2.1 (dated 29 August 2019) for the period prescribed by the Australian Property Institute as an API Declared Crisis/State of Emergency.

1. PROFESSIONAL EXPECTATIONS

Valuers must Comply with the API Code of Professional Conduct and any other professional obligations published or adopted by the API, **in particular the API Valuation Protocols – Crisis/ State of Emergency and Significant Valuation Uncertainty (effective 30 March 2020) and all subsequent Client Instructions/Agreements and any Disclaimer, Limitation and/or Qualification Clause recommendations.**

2. SPECIAL INSTRUCTIONS – NON-INSPECTION OF PROPERTIES DUE TO RESTRICTIONS IN RESPONSE TO COVID-19

Recommendations and orders by health authorities regarding social distancing and self-isolation to prevent the spread of COVID-19 has impacted the ability of properties to be fully physically or personally inspected. The API, Valuers and Instructing Parties recognise and acknowledge in these times of crisis there is a need to accept amendments to usual process and stipulations governing the preparation of PropertyPro Valuations.

In particular, these amendments relate to the inability for a valuer to conduct full physical or personal internal and external inspections of properties. To ensure the continuity of valuations which are a critical component of mortgage origination, these special instructions are to take effect where a full inspection is unable to be conducted by the valuer on account of self-isolation, social distancing needs for the home occupant, government directive and/or to ensure the health and safety of the valuer. These special instructions are not to be construed as an alternative process for non COVID-19 related reasons impacting a valuer's ability to conduct a full inspection of the property.

The instructing party recognises and acknowledges assumptions and/or alternate sources to confirm the attributes of the property have been relied upon in lieu of a full physical inspection of the property.

The instructing party also recognises and acknowledges that despite the best efforts and professional judgement of the valuer, such assumptions may not in all instances be an accurate representation of the property. Unless stipulated in these special instruction, all other standing instructions remain in force.

The API has issued API VALUATION PROTOCOL – TIMES OF CRISIS AND/OR STATE OF EMERGENCY IMPACTING PHYSICAL INSPECTION OF REAL PROPERTY, effective 30th March 2020 and these Special Instructions are to be followed under the provisions of that protocol.

All valuations conducted under the provisions of these special instructions must clearly be denoted as such. The opening statement under Section 8 “Additional Commentary” should include the following:

“This Valuation has been prepared under the provision of “Special Instructions – Non-Inspection of Properties due to restrictions in response to COVID-19”

Minimum standards and expectations

Nothing in these Special Instructions intends to change minimum valuation expectations or reduce the standards by which Valuers must carry out their Valuation. Nor does it alter any other provisions and stipulations of the ABFI RVSI.

External Inspection

Where Full Physical Inspection of the property is not possible, the valuer must adhere to the following hierarchy of alternate practices:

1. A full external onsite inspection of the property, including but not limited to a complete walk-around of the main building and ancillary improvements.
2. A partial external inspection of the property for areas that are assessable but at a minimum from the road frontage. This may be conducted from the vehicle to avoid face to face contact and/or maintain social distancing stipulations.
3. Virtual external inspection of the property utilising satellite imagery and/or video conferencing technology. Note, in these instances the technology must include geo-positioning capabilities or similar that enables confirmation the correct property has been identified.

For the avoidance of doubt, the valuer must attempt each of the above alternate practices in order of hierarchy 1 to 3. If none of the above is possible the Valuer must not continue and the instruction must be referred back to the Instructing Party/Client.

The valuer must clearly identify within Section 8 “Additional Comments” the extent of external inspection conducted per above and alternate resources that have been relied upon.

Internal layout, specifications and condition

The valuer must undertake best efforts to identify the internal layout, specifications and condition of the property. In the first instance, the valuer must identify the availability of any of the following sources:

Prior valuation reports conducted by the valuer firm.

- Photos from real estate portals
- Photos from sales databases and/or similar subscriptions
- Discussion with the home owner/occupant or real estate agents
- Photos and/or videos captured by the home occupant through a technology platform that enables verification of location (e.g. live virtual inspection).

The valuer must clearly identify within Section 8 “Additional Comments” what alternate resources have been relied upon

In the instance where there are no alternate resources available, the valuer should exercise professional judgement and assume a standard commensurate with the age, condition and market of the property. This assumption must be clearly stated within Section 8 “Additional Comments”.

Living Areas and Outdoor Areas

For all strata titled properties, the valuer must obtain the strata plan and reference the strata area in lieu of measurement (either directly or from scale).

For all other properties:

Where possible, the valuer should conduct an external measurement of the property to determine living and outdoor areas. If this is not possible, the valuer should determine floor areas from an alternative source, such as:

- Prior valuation reports conducted by the valuer firms
- Historical real estate listings
- Oblique satellite imagery/tools that estimate building areas
- Request floor plans from the home owner
- The valuer should clearly identify within Section 8 “Additional Comments” of the PropertyPro report what resources have been relied upon

The valuer must clearly identify within Section 8 “Additional Comments” what alternate resources have been relied upon.

In the instance where there are no alternate resources available, the valuer should exercise professional judgement and rely on an estimation of living and outdoor areas. This must be clearly stated within Section 8 “Additional Comments”.

Photographs

At a minimum, where the valuer has been able to attend the property, the valuer is required to include a kerbside photo of the property. Where a full external inspection has been conducted, the valuer must include photos of other external aspects of the property and ancillary improvements.

In addition to external photos taken by the valuer, the valuer must provide photographic evidence of alternate sources relied upon such as:

- Recent photos from real estate portals
- Satellite imagery
- Floor plans provided by the homeowner

Risk Ratings

A Risk Rating of “4” or “5” must be applied to “Improvements” if a full physical inspection has not been completed. This should be determined dependent upon the type of inspection that took place and after due consideration regarding the reliability of any additional resources that have been relied upon during the valuation assessment.

Acknowledgement of Assumptions for Fields in PropertyPro

The instructing party acknowledges that under the provisions of these special instructions, the following fields that form part of PropertyPro may need to be assumed and/or determined through an alternate source.

Section 1 Property Summary

- Living Area
- Outdoor Areas

- Car Areas
- Essential Repairs
- Main Building No. of Bedrooms and Bathrooms

Section 2 Risk Analysis

- Improvements

Section 5 Main Building

Main Interior

- Linings
- Flooring
- Internal Condition
- Accommodation
- Interior layout
- PC Items
- Fixtures and Features
- Number of bedrooms and bathrooms

Section 6

- Ancillary Improvements

All other fields in the PropertyPro are excluded from the provisions of these special instruction and must be completed strictly in accordance with the RVI standing instructions and API PropertyPro guidance material.

Section 8 “Additional Comments

Where the Valuer is required to provide commentary regarding resources relied upon to determine external and/or internal condition, layout or areas etc, or assumptions that have been made, this information is to be provided directly underneath the opening “Special Instructions’ statement.

Valuation Assessments and Summary

The valuation assessment inclusive of the land and improvement allocation, rental assessment and replacement insurance value should be assessed strictly in accordance with usual valuation standards, however, in accordance with assumptions made in line with these special instructions.