

Australian Property Institute Limited

VALUATION PROTOCOL – GUIDELINES FOR API DECLARED TIME OF CRISIS AND/OR STATE OF EMERGENCY IMPACTING PHYSICAL INSPECTIONS OF REAL PROPERTY

Reference Valuation Protocol – Time of Crisis and/or State of Emergency Inspection requirements when undertaking valuations of real property
Effective 29 March 2020
Owner Head of Education and Standards

Valuation Protocol

Purpose of this protocol

This protocol deals with valuations, undertaken by API members where, during a time of an API declared crisis and/or state of emergency, a full (physical or personal) inspection of the property cannot be undertaken. The protocol outlines guidelines that the Valuer may follow in order to correctly identify the property being valued and to collect property specific information.

Commencement/expiry of this protocol

This protocol commences its application from the date that the API publishes a declaration of the commencement of a crisis and/or state of emergency and continues until such time that the API declares the conclusion of the crisis and/or state of emergency.

The protocol may be modified from time to time as the crisis and/or state of emergency evolves.

Application of this protocol

The API recognises, that during a time of a crisis and/or state of emergency, such as the current COVID-19 situation, Valuers may not be able to undertake a full physical or personal inspection of a property for various reasons.

A full inspection by a Valuer means the Valuer has physically inspected the property in person, including an internal and external inspection of any improvements on the property, and that the inspection is sufficiently comprehensive to enable the Valuer to complete the valuation in accordance with accepted existing valuation practice.

This protocol applies only once the Valuer has determined that full inspection of the property is not possible for any of the following reasons, including but not limited to:

- Government restrictions and recommendations by Health Authorities disallowing physical inspection and/or face to face contact for non-essential tasks (e.g. quarantine requirements, mandatory lock down, social distancing stipulations);
- Health and Safety concerns of the Valuer as determined by the valuation firm's policy and/or guidelines provided by the API; and/or
- Inability to attain inspection appointment due to Health and Safety concerns cited by the property occupant.

Where there is a change, or amendment, to the scope of valuation services to be provided, Valuers must ensure that this is agreed in writing with the Instructing Party/Client (such as within the valuation instruction) prior to the report being prepared.

The API recommends that Valuers and Instructing Parties/Clients each acknowledge and accept that in performing a valuation under the Crisis/State of Emergency Declaration, (for eg. evoking the application of, in the case of Residential Instructions, the Addendum to the ABFI RVSI - Non-Inspection of Properties due to restrictions in response to COVID-19) that the Valuer has not carried out the full physical inspection of the Property that a Valuer is customarily required to complete under professional practice standards or at law (where applicable) and the Instructing Party/Client fully understands the risks inherent in the valuer not undertaking a full physical inspection of the Property.

The Valuer should attempt a physical or personal inspection in the first instance and outline in the report what investigations the Valuer has made, the extent of the inspections and, where information is provided

by or sourced from other persons or entities, should clearly reference and appropriate qualifications and explanation of all assumptions made.

Nothing in this protocol intends to change minimum valuation expectations or reduce the standards by which Valuers must carry out their Valuation. Nor does it alter any individual commercial arrangements between Valuers and Instructing Parties/Clients.

For absolute understanding, for the time period prescribed by the API, the Valuer is required to undertake the most appropriate valuation inspection or research possible, taking into account Government restrictions and Health and Safety matters outlined in this Protocol, whilst encouraging both high standards and innovation.

1. Acceptable practices in lieu of Full Physical Inspection – Residential Property

The Valuer should adhere to the following proposed hierarchy of alternate practices, where practicable:

- (i) Full inspection utilising the range of resources;
- (ii) A full external street frontage inspection of the property, which may include but is not limited to a complete walk-around of the main building and ancillary improvements.
- (iii) 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.
- (iv) 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.
Valuers must at all times comply with relevant regulatory and local laws (for eg. CASA) in respect of Drones and other tools.
- (v) Virtual internal Inspection that may include contribution of information from the owner/occupier/third party
- (vi) Without Owner/Occupant/Third Party information provision but a phone call to the owner/occupier/third party and other research necessary to form an opinion as to value.

2. Acceptable practices in lieu of Full Physical Inspection – Commercial & Other Property

In the case of commercial and all other property categories, where physical access is restricted or limited, the valuation may be completed acknowledging a 'Restricted or Limited Access Inspection' has occurred and the valuer should include qualifying statements to that effect. Should the property be able to be physically inspected within 90 days, a Compliance Letter is to be provided and include a confirmation of assessed value (as at the date of the report), confirmation of the assumptions made in the original indicative market assessment, date of physical inspection undertaken, photographic evidence, time date stamped. Should the property not be able to be physically re-inspected, then it is the prerogative of the Instructing Party/Client to arrange for a reinstruction at a later date.

Within any Residential, Commercial or other Property Report (and the Compliance Letter) the Valuer should confirm that all due diligence, research and analysis that would ordinarily form part of a full valuation has been completed, with the exception of the formal physical or personal inspection and other comments regarding inspection parameters as outlined above.

Alternate and Additional Resources

In the absence of a full physical inspection, the extent to which a Valuer may investigate and confirm property details via alternate and additional resources should be determined by the Valuer in their absolute discretion, but could include the following, with corresponding comments included in the report/advice:

- Alternative inspection used, such as virtual or video feeds etc. either by the Valuer or an identified Third Party (owner, occupier, property manager or tenant)
- Sources to identify the subject property, could include but are not limited to:
 - Access to street view.
 - Access to aerial photography with building measurements
 - Local Authority and other websites and portals
 - GPS positioning of the video device in the property to allow longitude/latitude matching with the National GNAF database
 - Viewing aerial or satellite images, drone footage and/or a web search of the address. Valuers must at all times comply with relevant regulatory and local laws (for eg. CASA) in respect of Drone and other tools.
- Photographic evidence sourced from the web (e.g. real estate portals).

Additional Protocols

The Instructing Party/Client agrees that it will not convey a Report prepared under this Crisis Protocol or any part of it to any Third Parties (other than Reliant Parties for eg. LMI's and Regulatory Authorities in accordance with their own reporting regime or as required by the ABA Banking Code) and will only use and rely upon it for the purposes in which it was instructed.

Where the Valuer is unable to reasonably identify and confirm sufficient property details to complete the client's instructions in accordance with accepted valuation practice, then the Valuer should not continue and the instruction should be referred back to the Instructing Party/Client.

Professional indemnity insurance and APIV Professional Standards Scheme

Outside of the limited inspection basis all other respects of the existing standards and responsibilities remain unchanged.

Before proceeding with the client's instructions to complete their request in the absence of a full inspection, Valuers should consult their professional indemnity insurance broker to check whether or not any liability arising from completion of the client's request will be covered by their Professional Indemnity Insurance (PII) policy.

It should be noted that if PII coverage is not available for undertaking the request, Valuers who are members of the Australian Property Institute Valuers Ltd Professional Standards Scheme (APIV Scheme) will not be able to benefit from a capped liability under the APIV Scheme for that valuation.