Residential Properties Subject to Non Standard Leases

This section addresses residential property subject to a non-standard long term lease, such as; National Rental Affordability Scheme (NRAS), Defence Housing Australia (DHA) and Display Homes.

You should:

- Assess the market value, subject to the existing lease.
- Provide an additional assessment of market value subject to “vacant possession” in Section 8 (Additional Comments) of the report.
- Sight the lease and note any onerous conditions. Indicate whether the lease has been executed.
- Note the terms of the lease in Section 8 (Additional Comments) of the report (e.g. the commencement date of the lease, passing rent, the term and option periods, rent review, etc).
- Indicate any adverse impact to marketability the lease may have on the property.

“Off the Plan”

When valuing properties purchased “off the plan”, you should:

- Note the “off the plan” purchase price and contract date.
- Indicate whether you have sighted the Contract of Sale and Special Conditions.
- Indicate the anticipated completion date of the development.
- If the property was not complete, or the Certificate of Title is not issued, at the time of inspection you should value the property “As If Complete” and ensure the report clearly indicates as such.

Purpose Built Student Accommodation & Serviced Apartments

You should first determine and clearly identify if the property has an alternative use of permanent occupation.

If the property does **not** have alternative use for permanent occupation, it is considered out of scope and requires an “in use” valuation.

If the property is able to be permanently occupied, it is within scope and you should:

- Value the property on a “vacant possession” basis.
- Confirm the terms for which the property can be removed from the letting pool or management agreement.
- Exclude the value of any furniture.
- Provide an assessment of market rental subject to standard residential terms.
- Sight the relevant lease or management agreement and indicate the terms and comment accordingly.

Dwellings Not Permanently Affixed to the Site

The value of any improvements that are designed to be relocated and/or not permanently affixed to the site (eg. mobile or relocatable homes) should be excluded from the assessment (i.e. assessed as vacant land).

You should nevertheless provide a description of any such improvements in the Additional Comments (Section 8) of the report.

Company Title Units

If you are instructed to value a Company Title Unit, you should:

- Sight a copy of the Company's Constitution (memorandum & articles of association) noting any adverse restrictions, such as; the right to lease, restrictions on disposal etc.
- Sight a copy of the Share Certificate and confirm in conjunction with the Company's Constitution, that those shares provide exclusive occupation of the subject unit.
- If the valuation pertains to a sale scenario, sight the "Share Transfer Form" where possible and confirm that it correlates to the shares listed in the Share Certificate.

If you are unable to sight the Company's Constitution (memorandum & articles of association) and Share Certificate **do not proceed** with the valuation. The valuation request should be referred to the instructing party.

RESTRICTED VALUATIONS

Restricted valuations (kerbside inspection) must be completed in accordance with the Restricted Valuation Supporting Memorandum as contained in Section 16.3 of the ANZVPS and as amended.

As part of your restricted valuation, you should:

- Provide a Market Value Range
- Provide a Market Rental Estimate
- Provide general comments on location and amenity
- Provide general comments on condition and presentation
- Provide Risk Ratings (as per the PropertyPRO supporting memorandum methodology)
- Include a date stamped photograph of the front of the property as at the date of assessment.
- Take relevant notations on the property being valued.

In Scope

- A single house or dwelling,
- A single home unit, villa or townhouse,
- A vacant allotment on which the construction of a single residential dwelling is permissible,
- A non-income producing rural residential property where a single residential use is permissible.

Out of Scope

If you are instructed to value a property belonging to one of these types, **refer the instruction** to the instructing party:

- Proposed dwelling (including additions and alterations to existing dwellings) incomplete dwellings
- A residential dwelling that is not permanently fixed to the site
- A property for which a residential use is not permissible under the current planning controls
- New developments
- Student accommodation
- Retirement villages, hostels and aged care units
- Hotel / motel style apartments
- Serviced apartments subject to a management agreement or planning control that restricts its use for permanent occupation
- Serviced apartments subject to a leaseback agreement
- Boarding houses
- Bed and breakfasts
- Properties with three or more dwellings (houses, flats, units and villas) over one title
- Properties subject to moiety title (SA), purple title (WA), stratum titles, limited title or life tenancy and (Residential flat building subject to tenants in common, excluding single home units)
- Rural property that is income-producing
- Water licences with rural property
- Properties used for non-residential purposes
- Display homes

  If you are unable to complete the Restricted Valuation, you should recommend that a PropertyPRO report be prepared. Where such a recommendation is made, you should also note the main reason for the recommendation.

VALUATION RISK ALERT (If Applicable)

The purpose of the Valuation Risk Alert (VRA) is to identify predefined risks associated with property. This section sets out the requirements for triggering a VRA. You should trigger a VRA in response to the following predefined risk alert questions and a yes response requires further comment:

1. Does the subject property comprise a higher risk or a non-residential property type?

You should trigger this VRA if an aspect of the property is something other than strictly residential or is onerous in nature.

For example:

- A rural residential property configured and constructed as a dwelling, however, is utilised as a bed and breakfast. A risk alert should be triggered as the current use is something other than strictly residential.
- A three bedroom townhouse located near a university which has been reconfigured to five bedrooms and leased on a per room basis to students. A risk alert should be triggered as the configuration has been altered and use of the property is something other than strictly residential.
- An inner city terrace being owner occupied as a primary residence, however, the owner is a chiropractor and has converted part of the terrace for use as treatment rooms. A risk alert should be triggered as the current use and configuration of the property is something other than strictly residential.
- A Company Title unit.
- A residential property held under leasehold tenure, outside of the Australian Capital Territory (ACT).
- A rural residential property with a dwelling, however, is also utilised as a nursery and hobby farm. A risk alert should be triggered as the use of the property is not strictly residential.

Examples of non-residential property types include:

- All commercial, industrial and retail properties including mixed use properties (e.g. shop & residence).
- Retirement villages, aged care units and over 55's.
- Boarding houses, hostels, short stay accommodation.
- Three or more dwellings on one title.
- Student accommodation.
- Transportable/mobile home.
- Serviced apartments.
- Development sites.
- Income producing rural properties and rural land not suitable for residential use.

2. Are there any adverse marketability issues that would require an extended selling period of more than 6 months?

You should trigger this VRA if the assessed value reflects a selling period greater than 6 months.

For example:

- A property situated in a market where demand is low.
- A property with an awkward floor plan or unusual design that may limit its appeal.
- A property which is not sympathetic to the area or may be an over/under capitalised.
- Adverse marketability issues such as proximity to power lines, main roads etc.
- High value prestige property where normal market conditions require an extended selling period.

3. Are the existing improvements on the property incomplete, under construction or requiring essential repairs?

You should trigger this VRA if:

- PropertyPRO Construction – "As If Complete" valuations only where construction has already commenced.
- If a building is partially constructed or is undergoing renovation and there are outstanding works.
- If a building has sustained significant damage and requires rectification work (e.g. flood or fire damage).

Note	**DO NOT trigger a VRA for PropertyPRO Construction - "As if Complete" valuations where construction has not yet commenced (e.g. still vacant land).** **DO NOT trigger a VRA for "off the plan" valuations (e.g. new units).**

4. Is the subject property critically affected by any Heritage, location or environmental issues?

You should trigger this VRA if the property is critically affected by any heritage, location or environmental issues. For Example:

<u>Heritage</u>

The property is Heritage listed or is in a Heritage overlay area and this affect is considered to have an adverse impact on marketability and/or impedes the use of the property.

If the property is Heritage listed or is in a Heritage overlay area, however, this does not adversely impact marketability or use, then this VRA should NOT be applied.

Location

The property has adverse location features which due to their exposure or close proximity, are considered to significantly reduce its appeal to the market.

Examples of adverse location features may be any of the following:

- Railway
- Main road acquisition
- Flight paths
- High voltage transmission lines or electrical easements
- Onerous surrounding development
- Cemeteries
- Correctional centres
- Waste management centres
- Mobile phone towers

If the property is affected by these attributes, however, this is reflected in the assessed market value and the affect is not considered to significantly reduce its appeal to market; then this VRA should NOT be applied.

Environmental

The property is adversely impacted by an environmental issue and this is considered to significantly reduce its appeal to the market.

Examples of environmental issues may be any of the following:

- Flooding
- Landslip
- Bushfire
- Cyclone
- Contamination
- Pest infestation
- Electrical
- Etc.

You should only apply this VRA if the affect is specific to the property and the risk is not one that is generally accepted by the market.

For instance, a flood affect that applies to many other properties in the area and does not impede on value and/or saleability does not constitute a specific risk.

In contrast, a flood affect that is specific to the property (or a select group of properties) that will reflect a penalty in value and/or demand by the market constitutes a specific risk and is therefore an appropriate trigger for this VRA.

In situations where you have triggered a VRA you need to provide specific comments.