

Australian Banking & Finance Industry

Residential Valuation Standing Instructions

*For PropertyPRO, Restricted Valuation and
Progress Inspection Reports*

Version 1.1.4



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VALUER QUALIFICATIONS

In States where registration or licensing is required, the instructing party will only accept residential property valuations by the inspecting Valuer who **must** be registered or licensed in that State or Territory.—**Do not proceed with a valuation if the Valuer does not hold the appropriate licence / registration.** All Valuers must be a member of the Australian Property Institute (API). Table 1 (shown below) outlines the acceptable API & RICS classifications, counter signatory and dollar limits for the particular valuation types.

Table 1: API & RICS Classifications

API/RICS Classification	CPV	Counter Signature by CPV Required	Valuations up to \$2mil	Valuations exceeding \$2mil	Construction Valuations up to \$2mil	Construction Valuations exceeding \$2mil	Restricted “Kerbside” Valuations	Progress Inspections For TBE valuations up to \$2mil	Progress Inspections For TBE valuations exceeding \$2mil
PMAPI RPV	No	Yes	Yes	No*	Yes	No*	Yes**	Yes	No*
AAPI	Yes	No	Yes	Yes*	Yes	Yes*	Yes	Yes	Yes
AAPI	No	Yes	Yes	Yes*	Yes	Yes*	Yes	Yes	Yes
FAPI	Yes	No	Yes	Yes*	Yes	Yes*	Yes	Yes	Yes
LFAPI	Yes	No	Yes	Yes*	Yes	Yes*	Yes	Yes	Yes
MRICS	NA	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
FRICS	NA	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The instructing party will only accept residential property valuations by a Valuer who holds the API approved Membership Classifications as stated in the table above. All other API Membership Classifications are excluded.

*Subject to API Supervision Guidelines as contained in the PropertyPRO Supporting Memorandum.

** Subject to Rule 7, Para 7.3 of the API Code of Professional Conduct

It is the responsibility of Valuers to ensure they are compliant with the requirements of membership to their Industry Body. For example; the API has requirements regarding Continuing Professional Development (CPD) and Risk Management Module (RMM). The API also provides an on-line Residential Valuation Standing Instructions training module that is required to be completed by API members who undertake residential valuations on the PropertyPRO format

PROPERTYPRO GENERAL MATTERS

These Valuation Standing Instructions provide operational clarity and are subject to the API PropertyPRO Supporting Memorandum. In the event of any inconsistency, the provisions of the API PropertyPRO Supporting Memorandum shall prevail.

In Scope

- A single house or dwelling.
- A single home unit, villa or townhouse.
- A vacant allotment on which the construction of not more than two residential dwellings is permissible.
- Dual occupancy properties in which no more than two dwellings are held on one certificate of title.
- A serviced apartment where permanent occupation is a permissible alternate use.
- **As If Complete** or **To Be Erected** residential dwellings (no more than two dwellings on one title).
- A non-income producing rural residential property where a single residential use is permissible (including hobby farms).
- A leasehold residential property where the head lessor is the Crown / Government Agency.
- A Company Title home unit.

Out of Scope

- Valuations that are not for Mortgage Security purposes (e.g. MIP Valuations)
- A property for which a residential use is not permissible.
- Retirement villages, hostels and aged care units.
- Boarding houses.
- A serviced apartment or purpose built student accommodation apartment for which the current zoning, restrictions on title and/or management agreement does not allow a permanent residential use. (refer to '**Other Property Types**' Section)
- Bed and breakfast.
- Properties with three or more dwellings on one title (e.g. houses, flats, units and villas).
- Rural properties which are income-producing.
- Rural properties which are not suitable for residential use.
- Agricultural water licences that may be sold independently from a rural property.
- Any commercial property including office, retail or industrial.
- A Display Home for which the current zoning, restrictions on title and/or lease does not allow a permanent residential use. (refer to '**Other Property Types**' Section)
- Mixed use properties (e.g. shop and residence - note: this does not refer to residential properties in a mixed use zoning).
- Properties that do not have legal street access (e.g. a "land locked" property).
- Development sites. (refer '**Residential Property with Development Potential**')
- 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).

Limitations and Exclusions

- Valuers must be appointed to the Instructing Party's individual panel before conducting valuations.

Report Format & Guidelines

- Complete the report in accordance with the Australian Property Institute (API) PropertyPRO format.
- Follow the most recent PropertyPRO Residential Valuation and Security Assessment Pro-forma Supporting Memorandum, together with the relevant Practice Standards and Guidance Notes.

Administration

- Address the report to the instructing party.
- State the loan application number and/or any other reference identifier.
- State the PropertyPRO report may be relied upon for mortgage lending purposes by the instructing party and their mortgage insurers.

Valuation Date and Signatories

- The valuation date must be the date of inspection.
- The prime signatory must be the inspecting Valuer.
- The report should state the prime and counter signatory's name, API and RICS (where applicable) membership classification and Valuer's registration number, together with the valuation firm or panel manager's contact details.

Professional Expectations

- Be independent and at arm's length from all parties including the borrower, vendor, developer, purchaser, real estate agent, introducer, mortgage manager or mortgage originator.
- If the Valuer or Valuation firm discovers or is made aware of a material conflict of interest, the instructing party should be notified immediately.
- The Valuer will report on all headings as mentioned within these Standing Instructions, on the basis that these comments are to be restricted to those which in the Valuer's opinion materially affect value and marketability and are apparent to the valuer having undertaken a normal scope of inspection and investigation appertaining to a PropertyPRO valuation inspection.
- The Valuer is not expected to provide expert advice or commentary on issues that fall more appropriately into the domain of other specialist professions such as Building Inspectors, Pest Inspectors, Architects, Quantity Surveyors, Lawyers, Environmental or Asbestos Specialists, Town Planners and where comments are made on those issues by the valuer, they should be provided and accepted on the basis that they are from a person who is not an expert nor qualified in those areas.

Valuation Assessments

Market Value

- Provide an assessment of market value as at the date of inspection.
- Exclude goods, chattels or any known financial incentives; e.g., furniture, rebates, “trade dollars”, tax incentives, etc.

Definition of Market Value

The definition of Market Value as stipulated by the International Valuations Standards Council and endorsed by the Australian Property Institute and New Zealand Property Institute is:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

(IVSC 2013 Adopted by the API 01/01/2014)

Replacement Insurance

- Provide an assessment for building insurance. The assessment should include the current replacement cost as well as allowances for:
 - Demolition, removal of debris and clearing of the site for reconstruction; and
 - All professional fees; and
 - Council and other statutory fees and charges; and
 - An escalation allowance on all costs through the insured year from the valuation date.

Rental Value

- Provide a single figure assessment of market rental for the property, subject to a standard residential tenancy. The assessed rental value should not take into account short-term or holiday letting.
- Also indicate the current rent where applicable in Section 8 Additional Comments of report.

Estimated Selling Period

- Provide an estimated selling period that reflects current market conditions and the assessed market value.
- If the selling period is greater than 6 months, provide explanatory comments in Section 8 (Additional Comments) of the Report.
- Trigger a Valuation Risk Alert (VRA) if the selling period is greater than 6 months (if applicable).

Sales Evidence

Providing sales evidence

The sales evidence utilised in the valuation report should ideally:

- Include a minimum of three settled relevant sales; and
- Be within six months of the date of valuation; and
- Be within 15% (plus or minus) of the assessed market value; and
- Be of a similar type, location, age, condition, size, etc.
- For new properties that form part of a development incorporating common areas and/or shared facilities (such as Strata Title, Community Title, Plan of Subdivision etc.); a minimum of three settled re-sales from within the subject group and/or external to the development are to be provided.
- For vacant land and/or new house and land properties situated within a new residential estate; a minimum of three settled re-sales from within the subject subdivision and / or re-sales external to the subject subdivision are to be provided.

Where the minimum requirements for sales evidence per above is unavailable, the Valuer should provide explanatory comments in Section 8 (Additional Comments). Note; a minimum of three settled sales is a mandatory requirement in all instances. Additional 'agent advised' or unsettled sales may be relied upon. Status and reliability of all evidence must be noted.

The Valuer must provide an adequate description of the sale property for all sales evidence utilised and provide pertinent details of the sale, including its comparability to the subject in accordance with PropertyPRO Supporting Memorandum requirements.

For the purposes of this document the following definitions apply:

- A settled sale is a sale whereby title has transferred to the new owner and that transfer of title has been duly registered by the relevant State or Territory authority. It is sufficient for the Valuer to rely upon information provided via industry recognised third party sales databases such as RP Data, Red Square, to confirm the details of the transaction.
- A re-sale is considered to be a sale transaction subsequent to the initial "Off The Plan" or "New" sale by a builder/developer or builder/developers agent.

"Agents Advice"/Unsettled Sales

"Agents Advice" and/or "Unsettled Sales" should only be included in addition to the 3 mandatory settled sales, and must be clearly identified. Additional commentary in respect to these sales, such as their source, must be provided.

Reliance upon "Agents Advice" and/or "Unsettled Sales" as evidence to support an assessment of market value is at the Valuer's discretion. However, the instructing party will not accept any assumption that the Agents Advice/Unsettled Sales will proceed to settlement at the advised sale price.

Agents Advice/Unsettled sales evidence must be clearly identified in the valuation report, but may be recorded in Section 7 "Sales Evidence & The Market".

Transactions without a Real Estate Agent and / or Not At Arm's Length Sale

Provide comment when the current sale of the subject property has taken place without the intervention of a Real Estate Agent and / or is considered to be a "*not at arm's length*" transaction.

"Off the Plan"

When valuing unit / apartments purchased "off the plan", the Valuer should:

- Identify and physically inspect the subject property (this means a sufficiently comprehensive inspection of the subject property to enable the valuation to be completed in accordance with accepted valuation practice)
- Note the "off the plan" purchase price and contract date; and
- Indicate whether the Contract of Sale and Special Conditions has been sighted; and
- Indicate the anticipated completion date of the apartment / unit and parent / development (if known);

In addition to the above, the Valuer should value the property "As If Complete" if any of the following are not complete at the date of inspection / valuation:

- The subject property; and / or
- any items that are a condition of the contract (e.g. common areas, roads, services); and / or
- the Certificate of Title for the subject property is not issued

Land, Title & Zoning

Providing title details

Unless otherwise agreed or instructed, the Valuer is **not** required to search a Certificate of Title. However, the Valuer should recommend (within Section 8 Additional Comments) further investigation or a Title search be conducted if the Valuer considers that the property's saleability and/or value may be adversely affected by any known or observable encumbrances such as easements, covenants, caveats, etc. Provide comment if the property is considered to be adversely affected by "known or observable" issues.

It is expected that Title details will be provided by the Valuer as they are required as an aid to identification (this does not infer that a title search has been undertaken). Suitable sources from which title details may be obtained include Property Data providers, Council information / websites, Rate Notice etc.)

Zoning & Use

The Valuer should consider and comment on any zoning issues relevant to the subject property.

- State the relevant zoning and planning instrument; and
- Confirm the current use and configuration of the property appears to be a permitted use; and
- Identify any part of the property that appears as though it is not being used for its designed purpose; and
- Confirm the current zoning controls legally permit a residential use; and
- Highlight any proposed zoning changes that the Valuer is aware of that will directly or indirectly affect the property; and
- Highlight any observed structures or improvements that may not be Council approved.

Where the property is vacant land, state that it is suitable for use as a single residential property or, otherwise, as appropriate.

Vacant residential land

When valuing vacant residential land, the Valuer should:

- Identify and physically inspect the subject allotment (this means a sufficiently comprehensive inspection of the subject allotment to enable the valuation to be completed in accordance with accepted valuation practice). Normal valuation practice requires the Valuer to identify and inspect the allotment 'on the ground', not from inside a vehicle.
- Note the surrounding area and identify any adverse characteristics that impact on the marketability and value. (Refer to the section 'Identifying Adverse Risks')

Where the Valuer cannot identify and physically inspect the subject allotment, **do not proceed** with the valuation. The valuation instruction should be referred back to the instructing party.

The land should be re-saleable in isolation, under normal open market conditions as a vacant allotment at the date of valuation and settlement of the land contract. That is, there are no restrictions (physical, contractual or legal impediments), that the Valuer is aware of, on the resale of the property as vacant land in the open market, as at the date of valuation. Where the Valuer is aware that this is not the case due to any restrictive encumbrances, caveats on the Title and / or conditions of a contract of sale, the Valuer must either:

- Proceed with the valuation, only when it can be confirmed that the restriction on re-sale solely relates to a requirement to sell the land back to the developer. In these situations, the Valuer must;
 - raise the Risk Rating for 'Market Segment Conditions'; and
 - make comment regarding the specific restrictions; and
 - include a comment to confirm that the valuation has been completed subject to a specific instruction that the basis of valuation assumes that there is no restriction on the re-sale of the land, as vacant land, at the date of valuation.

OR;

- Refer the valuation instruction back to the instructing party (**do not proceed** with the valuation), if the restriction on re-sale as vacant land is for any other reason.

If the Valuer is unaware of any restrictions on re-sale, (that is; there is no documentation provided to, or known by, the Valuer to confirm this) then the property can be valued as vacant land, the Valuer should;

- Include a comment to confirm that the valuation has been completed on the basis that there is no restriction on the re-sale of the land, as vacant land, at the date of valuation.

Unregistered vacant residential land (Title for the subject land is not yet issued)

The Valuer should:

- Identify and physically inspect the subject allotment; and
- Note the surrounding area and identify any adverse characteristics that impact on the marketability and value. (Refer to the section 'Identifying Adverse Risks')
- Identify the proposed subject allotment with reference to a draft plan such as a deposited plan or plan of subdivision;
- Indicate the anticipated completion date of the development, where possible;

As the Certificate of Title is not yet issued, (or the Valuation is conditional on something, either physical or legal occurring) for the subject land, as at the date of valuation, the Valuer should value the property "As If Complete" and clearly indicate the reasons for this in the report.

Registered vacant residential land (Title for the subject land has been issued)

The Valuer should:

- Identify and physically inspect the subject allotment; and
- Note the surrounding area and identify any adverse characteristics that impact on the marketability and value. (Refer to the section 'Identifying Adverse Risks')

Photographs of vacant land

The report should include a minimum of one colour photograph of the subject vacant land taken by the Valuer at the time of inspection.

Photographs should be date and time stamped. If this function is not available on the camera, the Valuer should provide comments that the photograph was taken at the time of the inspection.

Photographs taken by third parties or from third party websites are not acceptable.

Services

To the extent possible; the Valuer should state if the following services are connected to the property (or are assumed to be connected if valued on an 'As If Complete' basis).

- Electricity (mains, solar or other).
- Water (mains or tank water).
- Gas (mains or bottle gas).
- Sewerage system (mains or on-site septic system).
- Telephone.

Access

The Valuer should identify whether or not the property is accessible via an all-weather road.

If the property to be valued (on an 'As Is' / existing property or 'As If Complete' basis) is not accessible via an all-weather road the Valuer should assess the value accordingly and provide appropriate comment in the Land section of the report and raise the appropriate Risk Rating.

Land Locked Property

If the property does not have legal street access (i.e. land locked), the property is considered to be **“out of scope”** **Do not proceed** with the valuation. The valuation instruction should be referred back to the instructing party.

Improvements

General

The Valuer should:

- Fully inspect all improvements; both internally and externally in line with normal industry practices for a PropertyPRO mortgage lending product.
- If the Valuer is unable to access a habitable area of the improvements, the Valuer should comment on this in Section 8 of the report. However, if the inspection of the restricted area is considered by the Valuer to be critical to the assessment, **do not proceed** with the valuation. The valuation instruction should be referred back to the instructing party.
- List outdoor areas, car parking and storage areas separately.
- Highlight any additions and/or alterations which are apparent.
- Highlight any structures or improvements that may not be council approved.

Home Units

The Valuer should:

- Specify the total number of units within the complex; and
- Describe the unit's location (including level and aspect) within the development; and
- Indicate the number of storeys in the development.

Essential Repairs

Essential Repairs are any observable works required that:

- Renders the dwelling not suitable for rent and/or uninhabitable; or
- If not carried out will diminish the structural integrity of the improvements.

Unless instructed otherwise, any property requiring essential repairs should be valued on an "as is" basis. Essential repairs noted in the report by the Valuer, are described in the Valuer's capacity as a Real Estate Valuer.

The Valuer should provide details on allowances or cost estimates that have made to arrive at the assessment with reference to the essential repairs, and the impact on value and marketability.

If the essential repairs are significant and require a professional cost estimate; the Valuer should recommend that the instructing party obtain a costing report from a Quantity Surveyor or formal quote from a registered builder.

Identifying Adverse Risks

If the Valuer identifies any material adverse risks affecting the subject property, the Valuer should provide appropriate comments in Section 8 (Additional Comments) of the report.

The Valuer should distinguish between 'Critical' and 'General' risks:

A **general adverse risk** is considered to be an effect that is common to the area / location and does not have an adverse impact on marketability and value specific to the subject property.

Conversely, a **critical adverse risk** is specific to the subject property and considered to have a negative impact on marketability and value.

Appropriate and consistent Risk Ratings and VRA should be applied.

Adverse Risk may include for example, any of the following:

- Onerous Easements / Encroachments.
- Environmental hazards.
- Zoning Issues.
- Local authority planning / building approval.
- Onerous (i.e. not considered normal for properties in the area) heritage affectation or preservation orders.
- Flood / Inundation.
- Landslip or mines subsidence.
- Main road acquisition.
- Pest infestation.
- Essential repairs or Building defects.
- Mobile phone tower.
- Restrictions on access to the property.
- High voltage transmission lines.
- Proximity to industrial properties.
- Railway lines.
- Airports/flight paths.
- Correctional facilities.
- Excessive noise.
- Etc.

The exception to distinguishing between "Critical" and 'General' risks is in the treatment of high voltage transmission lines where irrespective of whether the lines are considered a 'Critical' or 'General' risk, they are to be treated as an adverse risk and comment must be made.

Specifically, the Valuer should provide an estimated distance from the nearest boundary to the high voltage transmission lines (in the case of larger land holdings (greater than 1 acre / 4000 sqm), the Valuer should also provide an estimated distance from the main residential dwelling to the high voltage transmission lines).

Any notification of adverse risks such as the above; should be accompanied by commentary indicating the nature of the adverse risk (for example within 50 metres of high voltage transmission lines) and how the risk affects saleability and value. The Valuer should also confirm these risks have been accounted for within the assessed value.

Recommending Documents to Sight

The Valuer should attempt to obtain any public or reasonably available documentation that may impact marketability and value.

The Valuer should submit the valuation and distinguish between “Critical” and “General” recommended documents to sight.

A general effect is considered to be an effect that is common to the area/location and does not have an adverse impact on marketability and value specific to the subject property.

Conversely, a critical effect is specific to the subject property and considered to have a negative impact on marketability and value.

The Valuer should provide comments on why a document is considered to be ‘Critical’

Table 2 provides examples of “General” versus “Critical” effects on a property.

Table 2: General vs. Critical Effects on a Property

Document Type	General Effect	Critical Effect
Flood Certificate	<p>The property is in a known flood affected area; however, this is common to neighbouring properties.</p> <p>The subject is NOT known to have been flood damaged.</p>	<p>The flood affectation is specific to this property and does not commonly affect neighbouring properties.</p> <p>There is evidence the property has been damaged in recent times by flood.</p>
Pest and Building Certificate	<p>The property is under contract and a Pest and Building report should be obtained by the purchaser as a matter of course.</p> <p>The property is in an area surrounded by bush and is susceptible to termites; however, there is no visual indication of termite activity past or present.</p>	<p>There is evidence of termite activity. There is visible evidence of building defects or structural issues.</p>
Contract of Sale	<p>The property is under contract and the purchase price is within reasonable parameters; however, a Contract of Sale has not been provided.</p>	<p>The Valuer suspects there may be rebates or incentives included within the purchase price.</p> <p>The Valuer suspects the sale may not be at arm's length.</p>
Lease Agreements	<p>The property appears to be leased under standard residential terms.</p>	<p>The property is subject to a non-standard tenancy agreement (e.g. management agreement - letting pool, DHA, display home, NRAS, etc.)</p>
Final Occupation Certificate (or equivalent)	<p>The property is a recently completed dwelling.</p>	<p>The property has recently been extended, however, the Valuer suspects the works may not have been Council approved.</p>
Certificate of Title	<p>The property is located in a new subdivision.</p>	<p>The property is a dual occupancy which is reported to be held under individual title; however the Valuer does not believe this to be the case.</p>
Deposited Plan	<p>The property is located in a new subdivision and the allotment has been clearly identified.</p>	<p>The Valuer suspect there is no direct street access to the property and has not been able to ascertain this through readily available information.</p>
Mine Subsidence Certificate	<p>When a property is located in a designated mine subsidence area.</p>	<p>When a property is located in a designated mine subsidence area and the Valuer suspects the improvements have not received appropriate Council approvals.</p>

Document Type	General Effect	Critical Effect
Site Survey (e.g. Surveyor's Report)	The property is vacant land with clearly defined boundaries.	The site boundaries are not readily identifiable and the Valuer believes the improvements may be encroaching over the adjoining allotment.
Heritage Impact Statement	The property is located in a Historical conservation/preservation area, featuring dwellings of a similar age, design and construction to the subject.	The property is proposed to have additions and alterations and the Valuer suspects the property may be heritage listed. No heritage study has been provided and the works do not appear to have received heritage approval from the appropriate consent authority.
Zoning Certificate	The property is located in a mixed use zone, where a residential use is permitted.	Enquiries through Council regarding the zoning are inconclusive.
Building Quote (from a licensed tradesman)	The dwelling requires minor works, e.g. a missing kitchen and an allowance have been made to value the property "as is".	The dwelling has an incomplete extension, currently at frame stage, and an allowance has been made to account for the essential repairs required to complete that extension valued "as is".
Contaminated Land Search	The property is part of a newly approved residential subdivision on reclaimed land and there is no evidence of contamination.	The Valuer suspects the property may be contaminated as a result of the site inspection.
Body Corporate Statement (incl. Minutes and Financial Reports)	The property is a Strata Titled unit with no apparent defects.	The apartment comprises the amalgamation of two existing units and the Valuer has not sighted approvals.
Management Agreement	A Management Agreement is a mandatory document for the assessment of Serviced Apartments and Student Accommodation.	A Management Agreement is a mandatory document for the assessment of Serviced Apartments and Student Accommodation.
Geotechnical Engineer's Report	The property is located in a designated land slip area; however, the property shows no sign of any slippage or ground movement.	The property is located in a known land slip area and shows signs of slippage.
Structural Engineer's Report	The dwelling is of an unusual architectural design and has been constructed from non-standard materials. However, there are no signs of any structural movement or failures.	The dwelling shows signs of movement to the footings and damage to the cladding. The Valuer suspects that these visible signs may be caused by structural deficiencies.

Conditional Reports

Where documents are not reasonably available and if the valuer is of the view that the lender should sight documents that are important to the value of the property, the valuer should still express an opinion of value, however, state clearly (in Section 8 Additional Comments) that this value is conditional on those documents not showing any matters which materially alter the value of the property.

Providing Additional Comments

The Valuer should provide additional comments that support and expand on the details of the report; especially in relation to any material adverse risk(s) affecting the property.

Issuing Amended Reports

When amending a report, the Valuer should ensure the words “**Amended Report**” are clearly marked on the front page.

If the Valuer issues an amended report the report must stipulate what has been changed and provide relevant additional information to support the amendment. A summary of the changes should be included in the first comment of Section 8 ‘Additional Comments’

Amended Reports are to be issued in accordance with the PropertyPRO Supporting Memorandum however; all such amended reports must be reviewed and counter signed by a CPV who is also a director, principal, partner or valuation manager.

Photographs of Existing Property

The report should contain a minimum of five colour photographs of the subject property, taken by the Valuer at the time of inspection, including:

- One front elevation; and
- One rear elevation; and
- One kitchen; and
- Bathroom/s; and
- One showing a view, significant external improvements or defects of the property (e.g. Harbour view, swimming pool, structural defects to the improvements etc.); and
- Any other photo taken by the Valuer at the time of the inspection that is considered to assist in identifying a positive or negative feature impacting the subject property

Photographs should be date and time stamped. If this function is not available on the camera, the Valuer should provide comments in Section 8 (Additional Comments) of the report setting out the date and time the photographs were taken.

If the Valuer is unable to comply with the above minimum requirements; the report must contain specific comments including:

- The reason for not complying with the photographic requirements.
- Confirmation that the Valuer has fully inspected the property (in line with valuation industry expectations).

Photographs taken by third parties or from third party websites are not acceptable.

PROPERTYPRO CONSTRUCTION – “AS IF COMPLETE” VALUATIONS

PropertyPRO Construction – “As If Complete” valuations must comply with the relevant requirements (where applicable) noted elsewhere in this document.

Construction Documents

(See separate section for additional Owner Builder document requirements)

Ideally, the Valuer should sight the following documentation for a PropertyPRO Construction – “As If Complete” assessment:

- A copy of an executed fixed-price home building contract, including any variations; and
- A schedule of proposed finishes and specifications; and
- Council Approved plans with dimensions and measurements, including site plan, floor plans and elevations (or Privately Certified plans where applicable).

Where the above is not available, the Valuer should sight, **at a minimum**, the following documentation:

- A copy of a draft building contract, or formal tender; and
- A schedule of proposed finishes and specifications; and
- Formal scaled plans with dimensions and measurements.

The Valuer must ensure that construction documents are specific to the subject allotment.

Where the above minimum documents have not been provided, **do not proceed** with the valuation. The valuation instruction should be referred back to the instructing party.

Noting Construction Documents

The Valuer should always identify the construction documents that have been sighted and relied upon; for example:

- Executed (signed and dated) home building contract versus draft (unsigned) contract / tender.
- Council Approved/Privately Certified plans versus draft plans.
- Variations and additional legitimate quotes.
- Council approvals; including the development approval number (or equivalent) and indicate the date that council granted development consent, when provided.

Check Costs and Drawdown Schedules

The Valuer should:

- Provide a check cost for construction based on the proposed construction (reflecting primary contract and builder variations provided to the Valuer by the instructing party only).
- If the construction materials and/or design are highly unusual; advise whether a specialist report (for example a Costing Report or Quantity Surveyor’s Report) should be obtained by the instructing party.
- Comment on whether the drawdown schedule is within legislative / industry parameters.

Additional Quotes (out of contract items)

If “out of contract” items are included in the assessment, the Valuer should:

- Only rely on formal quotations/tenders/contracts from third party contractors (i.e. Not the owner).
- Only utilise “out of contract” items if they pertain to fit-out and/or ancillary improvements.
- Clearly identify the “out of contract” items within the valuation report and list them separately in the Additional Comments (Section 8). The nature of work, tender amount and name of the contractor should be noted.

Building Contracts (including Additional Quotes) that result in an incomplete dwelling

Where the proposed construction per the Building Contract and any Additional Quotes, do not result in a fully established and/or lettable dwelling, the Valuer should:

- Clearly detail the item(s) that are required to complete the dwelling.
- Note the impact on saleability.
- Provide an ‘As If Complete’ valuation assessment based upon the documentation provided
- Trigger VRA 3.

Photographs for Construction Valuations

The report should include a minimum of one colour photograph of the subject vacant land taken by the Valuer at the time of inspection. If there are any improvements at the time of inspection the Valuer should include photos of the improvements.

Photographs should be date and time stamped. If this function is not available on the camera, the Valuer should provide comments that the photograph was taken at the time of the inspection.

If the PropertyPRO Construction - “As If Complete” valuation relates to an addition or alteration of an existing dwelling, the Valuer should provide photographs as per the requirements for an existing property.

Photographs taken by third parties or from third party websites are not acceptable.

Split Contracts for Multiple Dwelling Residential Developments

The Valuer should first determine and clearly identify whether the property is a Multi-Unit Residential Development with the purchase price split between a land contract and building contract.

For the Valuer to apportion the "As If Complete" assessed market value between land and improvements;

1. The land must be readily re-saleable in isolation, under normal open market conditions, as a vacant allotment at the date of valuation and settlement of the land contract. That is, there are no restrictions (physical, contractual or legal impediments), that the Valuer is aware of, on the resale of the property as vacant land in the open market, as at the date of valuation.
2. If the proposed dwelling is part of a multiple dwelling/townhouse/unit/grouped dwelling development, the proposed dwelling must not be attached or be dependent in any way on adjoining dwelling/s. That is;
 - The land is accessible by road (or is assumed to be accessible if valued on an 'As If Complete' basis).
 - The land is serviced (or are assumed to be connected if valued on an 'As If Complete' basis) (i.e. sewer / water / electricity);
 - The dwelling can be built on the land independently from other dwellings and such construction can occur at reasonable cost;
 - The development approval does not prohibit independent construction and occupation;

Where these characteristics exist, the market value of the property within the proposed development can be:

- Apportioned between land and buildings; or
- Valued as vacant land for residential mortgage security purposes where the land itself is saleable at the assessed market value under normal market conditions and under reasonable condition of sale.

If the above characteristics are not present, the Valuer should:

- Provide a single figure assessment of market value on an "As if Complete" basis (Treat as "off the plan purchase").
- Provide an estimated completion date (if known)
- Not provide an apportionment of land and improvements.
- Trigger VRA 1 to flag adverse risk, apply appropriate risk ratings and provide specific comment regarding the inherent risk with the development during the construction period.

Detached single 'house and land' packages with split land and building contracts are acceptable and the Valuer should refer to the PropertyPRO Construction - "As If Complete" Valuations section for standing instructions.

PROPERTYPRO CONSTRUCTION – “AS IF COMPLETE” VALUATIONS - “Owner Builders”

PropertyPRO Construction “As If Complete” valuation reports for “Owner Builders”, must comply with the requirements (where applicable) noted in the previous sections of this document.

The Valuer should:

- Identify in the report that this is an “owner builder” scenario.
- Describe the works in the formal quotations provided by the lender/client.
- Confirm whether the formal quotations will result in a complete dwelling.
- Report the total cost of construction based on the formal quotations sighted.
- Note Council approvals; including the development approval number (or equivalent) and indicate the date that council granted development consent, when provided.

If the formal quotations provided by the lender/client do not result in a complete dwelling, **do not proceed** with the valuation. The instruction should be referred to the instructing party.

Construction Documents

At a minimum, the Valuer should sight and comment on the following documents:

- Scaled plans (with dimensions).
- Quotations from **all** subcontractors (including proposed finishes and specifications).

Where the above minimum documents have not been provided, **do not proceed** with the valuation. The instruction should be referred to the instructing party.

Photographs for ‘Owner Builder’ Construction Valuations

The report should contain a minimum of one colour photograph of the subject vacant land, taken by the Valuer at the time of inspection. If there are any improvements at the time of the inspection, the Valuer should also include photos that depict those improvements.

Photographs should be date and time stamped. If this function is not available on the camera, the Valuer should provide comments that the photograph was taken at the time of the inspection.

If the PropertyPRO Construction - “As If Complete” valuation relates to an addition or alteration of an existing dwelling, the Valuer should provide photographs as per the requirements for an existing property.

Photographs taken by third parties or from third party websites are not acceptable.

PROGRESS INSPECTION REPORTS

The Valuer should:

- Inspect the subject property both internally and externally.
- Confirm that construction to date is in accordance with the approved building plans.
- Confirm the stage claimed on the builder's invoice has been affixed/completed (as per the contract between the builder and the borrower).
- Indicate the Balance to Contract (otherwise known as Cost to Complete) in accordance with the progress payment schedule set out in the building contract.

Note	The Valuer should: <ul style="list-style-type: none">• Highlight any variance from industry/legislative parameters in the additional comments.• Highlight any builder's claim that does not align with the progress payment schedule.
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Issuing the First Progress Inspection Report

The Valuer should not issue the first progress payment inspection report before having received and reviewed:

- The executed building contract.
- The agreed schedule of finishes and specifications.
- Council Approved/Private Certified plans with dimensions and measurements, including site plan, floor plans and elevations.

If any of the above documents were provided after the PropertyPRO Construction – “As If Complete” valuation, the Valuer should confirm that they are in accordance with the draft construction documents supplied and relied upon in the PropertyPRO Construction – “As If Complete” valuation.

Issuing Final Progress Payment Inspection Reports

When issuing final progress payment reports, the Valuer should:

- Confirm whether final certification has been sighted by the Valuer (for example, the Occupation Certificate, Final Inspection Certificate or equivalent).
- Note any unfinished works that result in the Valuer not recommending a portion or all of the invoiced final payment to the builder.

Photographs

The report should include photographs clearly showing the state of building completion as at the date of inspection (providing evidence of the finished and any unfinished works). For final progress inspections, the photographs must comply with the general photograph requirements outlined in the ***‘Photographs of Existing Property’*** section.

Photographs should be date and time stamped. If this function is not available on the camera, the Valuer should provide comments accordingly.

OTHER PROPERTY TYPES

This section sets out the requirements for valuation reports of the following property types:

- Two dwellings on one Title.
- Development sites.
- Residential property subject to standard leases
- Residential property subject to non-standard leases.
- Purpose built student accommodation & serviced apartments.
- Dwellings not permanently affixed to the site.
- Company Title Units.
- Residential property subject to a National Rental Affordability Scheme (NRAS) Agreement

When completing valuation reports on these property types, the Valuer must comply with the requirements (where applicable) noted in the previous sections of this document.

Two Dwellings on one Title

When instructed to value two dwellings on one Title, the Valuer should:

- Value the property as a whole; and
- Describe the details of each dwelling separately, including accommodation, areas and car accommodation; and
- Provide a separate rental assessment for each dwelling in the Comments section of the report; and
- If the dual occupancy was originally designed and constructed as a single residence then note this in the Comments section.

Select and provide clear comments regarding the appropriate valuation method/approach that result in the highest and best use / market value for the subject property.

- If instructed to value two dwellings on one Title that can be subdivided, and the highest and best use is for subdivision, the request is only “in scope” if the property can be valued by the direct comparison method and supported by sales evidence of similar properties.

If the above condition is unable to be met, the valuation request is “**out of scope**”. **Do not complete the valuation** and refer the valuation request back to the instructing party.

Residential Property with Development Potential

In Scope

A property with development potential, an application or approval, for subdivision into two allotments / properties is only considered to be 'in scope' if the property can be valued by the direct comparison method and supported by sales evidence of similar properties.

A property with development potential for subdivision for more than two allotments / properties is only considered to be 'in scope', if all the following conditions are met. The property:

- Does not have a current development application or approval; and
- Is readily saleable at the assessed market value to the broader market (i.e. appealing to owner occupiers, investors and developers); at similar value levels; and
- Can be valued by the direct comparison method and supported by sales evidence of similar 'in scope' properties.

For PropertyPRO valuations of "in scope" development sites, the Valuer should confirm in section 8 (Additional Comments) of the report that the property does not have a current development application or approval for subdivision and it is considered readily saleable at the assessed market value to the broader market at similar value levels.

Out of Scope

A property with development potential for subdivision will be considered 'out of scope', if any of the following apply;

- Has a development application or approval in place for subdivision for more than two allotments / properties; or
- Appeals only to the developer market and not to the local owner occupier / investor residential market; or
- Cannot be valued using the direct comparison approach using sales evidence of 'in scope' properties.

Residential Properties Subject to Standard Leases

A standard lease is a residential lease with a term of 12 months or less. The Valuer should:

- Assess the market value subject to vacant possession; and
- Note in Section 8 the passing rent and expiry date of the lease (if known).

Residential Properties Subject to Non Standard Leases

A non-standard lease is a lease with a term certain of greater than 12 months.

This section addresses valuations of residential property subject to a non-standard long term lease or agreement, such as Defence Housing Australia (DHA).

The Valuer should:

- Assess the market value, subject to the existing lease; and
- Provide an additional assessment of market value subject to “vacant possession” in Section 8 (Additional Comments) of the report; and
- 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.); and
- Indicate any adverse impact to marketability the lease may have on the property.

Display Homes

Display Homes are considered in scope for PropertyPRO report only if the property is suitable for permanent residential occupation and can be used for permanent residential occupation within a relatively short period of time (i.e. not more than 12 months). If the display home’s current zoning or restrictions on title do not permit a permanent residential use and/or the lease doesn’t allow a permanent residential use, the property is considered out of scope for a PropertyPRO report.

Purpose Built Student Accommodation & Serviced Apartments

The Valuer 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 the Valuer should:

- Value the property on a “vacant possession” basis; and
- Confirm the terms for which the property can be removed from the letting pool or management agreement; and
- Exclude the value of any furniture; and
- Provide an assessment of market rental subject to standard residential terms; and
- Sight the lease / agreement documents. **Do not proceed** without sighting these documents. If these documents are not provided refer the valuation request back to the instructing party; and
- Outline the terms of the lease / agreement.
- Trigger VRA 1

Dwellings Not Permanently Affixed to the Site (Relocatable Homes)

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

For the purposes of these Standing Instructions, relocatable homes are considered to be “any dwelling unit that is designed and constructed to be moved in one or more prefabricated sections from one position to another and is not permanently attached to a site other than for the provision of services.”

However, it is important to also have regard to the relevant planning scheme as different planning schemes have different definitions of relocatable homes.

The Valuer should nevertheless provide a description of any such improvements in the Additional Comments (Section 8) of the report including detailed comments on the degree of attachment of the improvements to the land.

Company Title Units

If instructed to value a Company Title Unit, the Valuer 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.; and
- 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; and
- 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 the Valuer is 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 back to the instructing party.

When valuing properties held under Company Title, the Valuer should:

- ensure that the interest valued is “Shares in a Company Title Building”; and
- include sales evidence that are clearly identified as company share transactions where possible

Property Subject to an NRAS Agreement

If the Valuer is advised or is aware that the subject property is the subject of an NRAS Agreement, the Valuer should:

- Note that the property is subject to an NRAS Agreement; and
- Assess the market value on a vacant possession basis; and
- Note in Section 8 the passing rent and expiry date of the lease (if known).

RESTRICTED ASSESSMENTS

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

As part of the restricted assessment, the Valuer should:

- Provide an indicative Market Value Range.
- Provide an indicative Market Rental Range.
- 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 time and 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 in a Strata or Community Plan.
- A dual occupancy property (e.g. two units on one title).
- 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 and / or the property is less than two hectares in size.

Out of Scope

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

- Where the Value Component is “As If Complete”.
- A residential dwelling that appears to be in poor / uninhabitable condition.
- 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 (including new land subdivisions).
- Englobo land/property/s with development/subdivision potential
- 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.
- Unique residential properties or those falling within upper market levels.

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

VALUATION RISK ALERTS (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. (Note that Risk Ratings and Risk Comments must be consistent with any VRA that is triggered). The Valuer 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?

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

For example:

- A 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.
- Dwellings that are part of the NRAS Scheme & Display Homes.
- A dwelling that is reliant on existing use rights.
- A property where the only building improvement is not designed constructed and / or approved as a habitable dwelling. Such as 'Land with Minor Improvements' consisting of a shed or shipping container.
- Where it is not considered appropriate to apportion the 'As If Complete' assessed market value between land and improvements.
- In Scope Serviced Apartments in a mixed use building

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.
- Re-locatable / mobile home.
- Serviced apartments.
- Dual key units
- 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?

The Valuer should trigger this VRA if the assessed value reflects a selling period greater than 6 months (The selling period should be assessed with reference to evidence of market conditions and assessed market value. Market segment risk rating should be consistent with this assessment.)

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?

The Valuer should trigger this VRA if:

- A building is partially constructed or is undergoing renovation and there are outstanding works.
- A building has sustained significant damage and requires rectification work (e.g. flood or fire damage).
- Assessing the market value of the property on a land component only basis (reflecting demolition of existing improvements on the property that are incomplete or uninhabitable).
- For a PropertyPRO Construction – “As If Complete” valuation only where:
 - Construction has already commenced.
 - The building contracts and additional quotes result in an incomplete and/or uninhabitable dwelling.

Note	<p>DO NOT trigger a VRA for PropertyPRO Construction - “As if Complete” valuations where construction has not yet commenced (e.g. still vacant land).</p> <p>DO NOT trigger a VRA for “off the plan” valuations (e.g. new units).</p>
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4. Is the subject property critically affected by any Heritage, location or environmental issues?

The Valuer must comment to distinguish between 'Critical' and 'General' risks:

A general adverse risk is considered to be an effect that is common to the area / location and does not have an adverse impact on marketability and value specific to the subject property.

Conversely, a critical adverse risk is specific to the subject property and considered to have a negative impact on marketability and value.

The VRA should only be triggered if the property is affected by a critical risk attributable to any heritage, location or environmental issues.

For Example:

Heritage

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.

If 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, then this VRA should 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
- Contamination
- Cyclone
- Pest infestation
- Electrical
- Etc.

The Valuer 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 a VRA has been triggered, the Valuer should provide specific comments.