

16.1

*PropertyPRO*TM RESIDENTIAL VALUATION AND SECURITY ASSESSMENT PRO-FORMA SUPPORTING MEMORANDUM

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PROPERTY PRO SUPPORTING MEMORANDUM

1.0 Introduction

1.1 Purpose

This Supporting Memorandum provides the basis upon which Members of the Australian Property Institute (API) who are either a Certified Practising Valuer (CPV) or a Residential Property Valuer (RPV) and are Members of the Australian Property Institute Valuers Ltd (APIV) Professional Standards Scheme undertake valuations of residential properties for first mortgage purposes using the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma Report for Mortgage Purposes (Report). It is also the basis on which their lender-clients and any applicable approved lenders mortgage insurer(s) (LMI(s)) accept(s) and use(s) such Reports.

1.2 Scope

This Supporting Memorandum sets out limitations and qualifications inherent in valuations, and in particular the risk analysis, provided in the Report format. A lender-client/LMI who instructs a Valuer to provide a Report agrees to accept and be bound by the process contained in this Supporting Memorandum. In particular, it provides important information to lender-clients/LMIs and Valuers in relation to:

- initial written instructions to the Valuer and what information must be provided,
- the information the Valuer must provide in the Report,
- the matters the Valuer may provide restricted comment on,
- what the Valuer should do in the event of a departure from any provision,
- matters the Valuer is aware will be checked by the lender-client/LMI and/or its/their solicitor(s) and or others on behalf of the lender-client/ LMI (and which must subsequently be referred back to the Valuer for comment and review, and in particular by reference to a different value),
- the information and documentation the Valuer is expected to hold on file, and
- the responsibilities and obligations assumed by lender-clients/LMIs.

Valuations using the Report format are provided for and may be relied on by lender-clients and, if agreed in writing between the Valuer and the lender-client, their LMIs only. Any agreement by the Valuer and the lender-client/LMI to a third party other than the lender-client/LMI relying upon the Report must be in writing and signed by each of the Valuer and the lender-client/LMI. In that case, valuations using the Report format must only be used for the purpose(s) outlined herein and any reference in this Supporting Memorandum to the lender-client/LMI will be taken to also be a reference to that third party.

1.3 Copyright

The API reserves Copyright of the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma Report. This has been deemed necessary to retain the integrity and consistency of the Report format. The Report format is available through the API under the PropertyPRO Trademark. It is produced out of a database program that is only available to Members of the API.

1.4 Certification

Subject to what is contained herein, a Valuer who provides a Report must do so in accordance with this Supporting Memorandum. Likewise, a lender-client/LMI who instructs a Valuer to provide a Report or whom it is agreed by the Valuer can rely upon the Report must do so and can only rely on such Report in accordance with this Supporting Memorandum.

1.5 Brief Report for Single Residential First Mortgage Purposes Only

The Report is specifically designed for the purpose of providing a brief report on a single residential property for first mortgage purposes only.

A "single residential property" is:

- A single house/dwelling
- A single home unit or apartment
- A serviced apartment that is suitable for permanent occupation and can be used for permanent occupation within a relatively short period of time (that is, not more than 12 months).
- A single residential allotment.
- Non-income producing rural property where a single residential use is permissible and no underlying redevelopment potential exists
- Dual occupancy property in which two dwellings are contained on the one allotment of land

Single residential property does not include land or a lot that is used wholly or predominantly for non-residential purposes.

All other properties and/or property types are excluded from the definition of a 'single residential property' and must be subject to a full valuation report with agreed fees reflecting the extent of such valuation instructions. Valuations of properties that are not 'single residential properties' as defined herein will be subject to specific separate written instructions which will not include the terms of this Supporting Memorandum unless otherwise agreed to by the parties in writing.

Exclusions from the definition of a "single residential property" include:

- Serviced apartment subject to a management

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agreement that restricts its use for permanent occupation

- Serviced apartment subject to a lease-back arrangement
- Student accommodation
- Retirement homes
- Boarding houses/hostels
- Mobile or temporary homes
- Purpose built residential property used for commercial purposes
- Residential property where in the Valuer's reasonable opinion its market value may exceed \$5 million

The PropertyPRO Report format is not suitable for valuation of a development site or englobo land for any property including dwellings with shop fronts and any other underlying potential use including subdivisional, retail, commercial and industrial. The Report format is suitable for valuation of residential premises with the relevant zoning in place.

The PropertyPRO Report format is not suitable for and is not to be used for mortgagee in possession valuations.

1.6 Supervision Guidelines for API Members

1.6.1

For the purposes of this Supporting Memorandum and in accordance with the APIV Scheme:

'*Supervising Member*' means a current financial Member of the API who holds Certified Practising Valuer (CPV) and has been appointed by the firm to undertake the *Review* of and countersign the Valuation Report, and is:

- (a) An Associate of the API (AAPI), or
- (b) A Fellow of the API (FAPI), or
- (c) A Life Fellow of the API (LFAPI).

'*Primary Valuer*' means a financial practising Member who inspected the property, undertook the valuation and prepared the Valuation Report, and is;

- (a) a Provisional Member of the API with RPV (PMAPI RPV), or
- (b) an Associate Member of the API with CPV (AAP CPV), or
- (c) a Fellow Member of the API with CPV (FAPI CPV), or
- (d) a Life fellow of the API with CPV (LFAPI CPV).

1.6.2

A Report must not be signed by a *Primary Valuer* unless the *Primary Valuer* has fully inspected the subject property.

A *Supervising Member* is not required to physically inspect the subject property.

A Report cannot be signed in any capacity by a Student Member or Provisional Member without Residential Property Valuer (RPV).

1.6.3

Reports signed by a PMAPI RPV are only acceptable when they are countersigned by a *Supervising Member* who is a CPV and who has:

- Reviewed the draft valuation, working papers and any additional documents from the valuation file relevant to the value opinion (*Review*); and
- Based upon the *Review* and appropriate questioning of the *Primary Valuer* who undertook the valuation, is satisfied that there is a reasonable basis for the value opinion contained in the draft valuation.

1.6.4

If the valuation is for a sum greater than \$2 million:

(a) the Report may be signed by a PMAPI RPV. However, the Report must be countersigned by a *Supervising Member*, who is a CPV, and who has conducted a *Review* and based upon the *Review* and appropriate questioning of the *Primary Valuer* who undertook the valuation, is satisfied that there is a reasonable basis for the value opinion contained in the draft valuation.

(b) and the *Primary Valuer* holds CPV, the above requirements for a *Supervising Member* to *Review* and countersign the Report applies.

(c) and the *Primary Valuer* is operating as a sole practitioner and holds CPV, or where the *Primary Valuer* is the only eligible *Supervising Member* of the firm. In either of these cases only one signature from the *Primary Valuer* is required.

1.6.5

A Member must not accept instructions in relation to a valuation where the Member does not have competence in either:

- the type of valuation being undertaken, including the basis of valuation (i.e. valuation methodology and/or
- the geographical area of the subject property being valued.

2.0 Initial Instructions to Valuer and Supply of Information

2.1 Standing Instructions

Valuers should ensure that instructions to provide a Report are on the basis of a standing instruction or a specific instruction that the provision of the Report will be subject to the terms of this Supporting Memorandum.

2.2 Instructions in "writing"

Instructions for individual Reports must be in "writing". Any instructions transmitted electronically should be able to be produced in a hard copy form for retention in the Valuer's file. Any instructions provided verbally in the first instance must be confirmed in "writing" by the lender-client/LMI before commencement of the valuation, or failing that, the Valuer must confirm the instructions in "writing" and retain a file copy.

2.3 Desirable and Necessary Detail

A Valuer may produce a Report after being provided with very little/minimal information by the lender-client/LMI, such Report being appropriately qualified. The lender-client/LMI must provide to the Valuer all information in its possession or readily available to the lender-client/LMI for passing on to the Valuer that may impact on the valuation of the subject property. By way of example only, as much of the following information and documentation as possible should be provided in or with the instructions for a Report. As outlined above, where some information is not readily available to the Valuer, the Report may be appropriately qualified.

- **Valuer**
The name of the firm to which the instructions are addressed.
- **Date(s)**
Date of request and date required (if applicable and not a contract condition).
- **Lender**
The name of the instructing organisation and any other parties who may rely on the Report.

Appropriate references and organisation contact details.

- **Borrower**
Name(s) of borrower(s) and any reference number(s).
- **Property Address**
Full street address, including locality name, state/territory and postcode.
- **Title detail**
Legal description.
Copy of search or title document including encumbrances etc. The Valuer will not be required to obtain or refer to a Title Search unless specifically instructed.
Copy of deposited or registered plan, strata or unit plan or survey report.
- **Property Type**
eg Dwelling, unit.
- **Contract Price**
If a sale of the subject property has occurred within the past 3 months (price and date of sale) - note if it is an 'off the plan' purchase. For the purpose of this provision, "occurred" refers to the entering into of a Contract for Sale which may or may not have been completed.
- **Full Copy of Contract**
Where reasonably available, a full copy of the Contract including any special conditions, certificates etc, must be provided to the Valuer.
- **Contact for Access**
Contact's name (if subject property has been sold or leased, the names of any real estate or leasing agents involved should be provided).
Contact's telephone number(s) – and what time(s) of day contact is preferred.
- **If Tenanted**
Tenant's name, rent being paid and expiry date(s) of the lease(s).
- **Special Instructions**
Any applicable.
- **Tender Details**
If proposed dwelling, renovation or extension, arrange for the Valuer to receive:
 - Copy of building contract, latest tender or quote with priced schedule of fittings/PC items.
 - Copy of plans and specifications preferably approved.
 - Builder's name, licence details and phone

number(s) and/or such details for an Owner Builder.

- **Any Other Relevant Information**

Eg. Zoning certificate, development approval, building approval, other information about affectations which may impact on value, etc.

- **Report Dispatch**

Where and how the Report should be forwarded.

The Valuer must provide in the Report, under each sub heading in each main section, the information and comment referred to below. This is subject to what is contained within this Supporting Memorandum and any limitations and qualifications set out below and subject to the information being common knowledge and or readily ascertainable and or provided by the lender-client/LMI within the time frame available to complete the Report.

3.0 Format of Reports

3.1 Layout Designed to Facilitate Easy Checking

The Report layout intentionally has most of the key information, the risk analysis, valuation and assessments (and their certification) on the first page, while supporting information, data and comments follow. While this is primarily to facilitate easy checking by the lender-client/LMI, the whole Report must be read and any failure to do so will not constitute reliance by such party asserting reliance on the Report. The risk analysis on the front page with its graphic presentation particularly serves to draw immediate attention to any risks rated higher than or equal to 3, and to appropriate comments later in the Report.

3.2 Brief Facts, Points and Concise Statements

As the Report is a pro-forma report, it presents its information in brief pertinent facts, points and concise statements. Any significant adverse issue mentioned in the body of the Report must be flagged via the Risk Ratings (ie assigning risk ratings higher than or equal to 3). However, features impacting significantly on the subject property must be adequately noted. The format has been designed to suit a majority of situations. Where required, the 'Additional Comments' section can be expanded to cover less common properties. While the first page is fixed length, some fields on the second page have the capacity to expand, creating an extra page (or more) if needed. A Valuer will not be precluded in any way from adding whatever additional comment/information as is deemed to be required by that Valuer, in completing the Report in accordance with this Supporting Memorandum.

There are formats for strata and proposed dwellings/extensions/renovations, vacant land and for properties subject to long term lease. Some label variations are available to suit particular situations, eg 'Built About'/'Year Built', while others only appear if relevant, eg 'Actual Rent'. A 'vacant land' variation deletes a number of headings.

3.3 Information which must be provided in the Report

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Lender	The lending organisation's name. Where additional lender-clients/LMIs and/or other parties are required to be noted on the Report, these will be inserted at the end of the document.
Lender / Borrower References	Provide field labels relevant to those used by the lender-client/LMI.

1. PROPERTY SUMMARY

PROPERTY ADDRESS:	Full street address, including locality name, state/territory and postcode
TITLE DETAILS:	Description of land and title details where available. Note: The Valuer is not required to obtain a Title Search unless specifically requested. The requirement for this information is subject to the issues referred elsewhere in the Supporting Memorandum.
Encumbrances/Restrictions:	A comment as to whether any encumbrances/restrictions, either adverse or beneficial, affect the subject property within the knowledge of the Valuer. Comment in the form "Known" or "Not Known". If "Known", further comment required in Section 8 (Additional Comments) of the Report.
Site Dimensions:	Where available or able to be described use the convention of frontage/rear then one side/other (where no '/' is shown, this indicates the same dimension for each), or otherwise provide site area.
ZONING/INSTRUMENT:	Status of appropriate authority(ies) zoning and name of most relevant planning instrument
LGA:	Local Government Area name
MAIN BUILDING:	Broad type classification eg Dwelling, Residential Unit, Duplex, Vacant Land, Other
No. of Bedrooms	
No. of Bathrooms	Include ensuites
Current Use:	Advise where main building not used for its designed purpose.
Built About/Year Built:	'About' is used more often as the exact year built is often not readily ascertainable. An alternative label 'year built' is available for selection in instances where the exact year is known.
Addition(s):	Approximate age of major extensions.
Actual Rental/Until:	Note actual rent and lease expiry date subject to lender-client's/LMI's requirements and availability.
CAR ACCOMMODATION	Describe car accommodation and note area in square metres or number of car spaces as appropriate.
AREAS:	Area measured or ascertained. Practical use of most measuring systems will produce an approximate result. Outdoor areas include areas of open verandahs, patios, pergolas, porches, etc. Their individual areas are aggregated for the purpose of the Report.
AREAS – HOME UNITS	The outdoor areas should be separate and excluded from the living areas of home units, villas or townhouses. Car parking and storage areas should be listed separately.
MARKETABILITY:	A brief comment as an overall rating of the ease of sale of the subject property (ie how saleable is the subject property as at the date of valuation?). This should be based on any inherent or external features favourably or adversely affecting the marketability of the

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	<p>subject property. Low or below average ratings need to be explained in the 'Additional Comments' section of the Report. (Marketability in this instance is not intended to be a comment on the condition of the market). Otherwise expand as necessary in the 'Additional Comments' section of the Report.</p> <p>For the purposes of this Supporting Memorandum, the word 'marketability' means the suitability of the subject property to be sold at the date of the Report at the value as referred to in the Report or such other value as is within a reasonable range of that value as determined by law, based upon all relevant facts, matters and/or circumstances current and known to the Valuer as at the valuation date.</p>
HERITAGE ISSUES:	<p>A comment as to whether any heritage issues, either adverse or beneficial affect the subject property within the knowledge of the Valuer. Comment in the form "Known" or "Not Known". If "Known", further comment required in Section 8 (Additional Comments) of the Report.</p>
ENVIRONMENTAL ISSUES	<p>A comment as to whether any environmental issues, either adverse or beneficial, affect the subject property within the knowledge of the Valuer. Comment in the form "Known" or "Not Known". If "Known", further comment required in Section 8 (Additional Comments) of the Report.</p> <p>This should record any significant, observable, visual and/or known defects or hazards or visual or observable or known site contamination. Where a defect or hazard is recorded, further comment is required in Section 8 (Additional Comments) of the Report.</p> <p>Any identified matters may warrant a report by appropriately qualified experts or a certificate from an appropriate authority.</p> <p>The Valuer is not normally an expert in these matters. The Valuer's role is to assist in identifying issues in the first instance and to recommend any further reports or certificates for confirmation or clarification. Any issues or uncertainties should be explained more fully in the 'Additional Comments' section of the Report. Should any issues be subsequently confirmed, the Valuer must be asked for further comment in view of any certificates or other experts' reports (and their estimated costs of remediation or recommended work).</p>
ESSENTIAL REPAIRS	<p>In undertaking a valuation, a Valuer has a duty to identify and comment on the presence of any obvious and patent and observable building and/or construction defects which are revealed upon inspection of accessible areas only. Furthermore, the extent to which such defects and faults impact upon value needs to be considered and commented on in the Report.</p> <p>The Valuer should identify only those items observed by the Valuer and which, in the Valuer's opinion, if not attended to, could cause significant deterioration and loss in value or could have a significant adverse effect on marketability of the subject property. The Report is not intended as a structural or building survey report.</p> <p>Where the Valuer identifies such defects, however, the cost and mode of rectification (and therefore any value adjustments) is outside the scope of the Valuer's expertise. The Valuer should recommend that a separate expert report be undertaken. Where a Valuer has reduced the value of the subject property because of the need for essential repairs, such adjustments need to be identified and included in Section 8 (Additional Comments) of the Report. Any estimate of costs to repair as provided by the Valuer must be confirmed by an appropriate expert.</p> <p>The Valuer should state that the valuation figure, based on the current condition of the subject property, is conditional upon the cost of rectification (to be advised by another</p>

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	<p>expert) being considered so as to be able to conclude the valuation.</p> <p>Furthermore, the Valuer should recommend that any such defect / fault be thoroughly investigated including the cost of rectification of the fault (by an appropriate expert), prior to any loan fund advance. In this way, the Valuer is warning the lender-client/LMI that any figure stated in the Report is subject to a cost deduction or adjustment from the figure provided once another expert report is obtained.</p> <p>Relevant comments to be included in Section 8 (Additional Comments) of the Report.</p> <p>The 'Existing Property' value reflects the current condition of the subject property.</p>
TBE (To Be Erected)/ Extension/Renovation – Please Note TBE's are to be the subject of a separate review.	<p>TBE will show and applies only where a building project is involved, ie a new building. A separate heading is available for an extension or substantial renovation. The valuation provided in each instance will be on the basis of 'As if Complete' as at the date of the Report provided that the material/information as noted elsewhere in this Supporting Memorandum is provided/supplied to the Valuer. In each case the builder's name and building contract or tender details should be shown.</p>
Check Cost	<p>A Check Cost will only be provided by the Valuer where the Valuer has adequate cost indicators for that style of construction. The purpose is primarily to identify if the tender is broadly in line with market costs. It is not expected that a detailed costing will be conducted. If the Check Cost is significantly different to the tender then this matter will be drawn to the lender-client's/LMI's attention.</p>
Information Supplied	<p>The lender-client/LMI must request that the borrower provide copies of all Council approved documentation/plans and specifications and inform the Valuer whether such documents, plans and specifications will be provided and, if so, by whom and when. The Valuer should indicate what information has been supplied including an indication as to whether the plans and specifications sighted have been 'Council approved'</p>

2. RISK ANALYSIS

The risk analysis in the Report format is the Valuer's assessment of the current impact on the subject property of a number of specified factors presented in a numerical/graphical format.

The purpose of risk ratings is to alert the lender-client/LMI to anything that is readily apparent and known to the Valuer at the date of valuation and that may impact on the current market value or marketability of the subject property, limited to the Valuer's area of professional expertise.

Risk Ratings are an indicator only and should not be relied upon alone in lending considerations.

Any significant adverse issue mentioned in the body of the Report should be flagged via the Risk Ratings.

This is a simplified analysis based on the current experience and knowledge of the Valuer and is not a technical analysis. The lender-client/LMI cannot expect that the Valuer brings to the task any greater level of common knowledge or ability to foresee events than can be expected of persons experienced in the market for that class of property in its market place (which may be local or broader). The risk analysis is the product of the current experience of the Valuer based on information that is common knowledge and/or readily ascertainable in the market for that class of property in its market place. The risk analysis does not reflect information that is privileged or to which the market for that class of property in its market place does not have ready access and it does not reflect decisions, announcements, releases, articles and the like that the Valuer has not had reasonable time and opportunity to assess and consider, or would in the ordinary course of acting as a valuer with respect to PropertyPRO valuation instructions become aware of or have access to. Subject to these limitations, the risk analysis indicates the level of adverse impact each stated aspect has on the subject property's value and marketability as at the date of valuation. In the case of higher level ratings, it can also provide an indicator of the presence of relevant comments in Section 8 (Additional Comments) of the Report.

Lender-clients/LMIs are encouraged to discuss Risk Ratings no matter at what level they are with the Valuer.

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... Risk Ratings	Risk Ratings focus on four property-specific aspects and four market-related aspects. Each of these aspects can involve consideration of a range of elements relative to it.
. . . level of adverse impact or risk	It is accepted that each aspect is likely to have some possibility of adverse impact or risk, however low or nominal. The assessment of the level of adverse impact or risk includes assessment of both the probability and consequence of the risk.
.... the risk ratings	<p>The ratings which are outlined below the bar graphs are:</p> <p>'1' – Low – no readily identifiable adverse issue</p> <p>'2' - Low to Medium – minor adverse issue only not warranting comment</p> <p>'3' – Medium – there is an adverse issue for the lender-client/LMI to note</p> <p>'4' - Medium to High – there is an important adverse issue in the Report for the lender-client/LMI to consider before relying upon the Report</p> <p>'5' - High – there is an extremely important/urgent adverse issue in the Report that could have a major impact on the current value and/or marketability of the subject property</p> <p>Any Risk Ratings of '3', '4' or '5' must be commented upon in Section 8 (Additional Comments) of the Report.</p> <p>As outlined above, for the purpose of the Report, the risk rating reflects the Valuer's assessment of the level of adverse impact the stated aspect has upon the current value and/or marketability of the subject property.</p>

Underlying Principles When Applying Risk Ratings

- **Risk ratings address the likely level of adverse impact each risk aspect has on the subject property's current value and/or marketability.** For the purpose of the Report, the risk rating reflects the Valuer's assessment of the level of adverse impact the risk aspect may have upon the current value and/or marketability of the subject property and/or the currently known perceived level of adverse impact the risk aspect could have on the current value and/or marketability of the subject property.
- **A high risk rating is not necessarily intended as a 'don't lend' advice.** Valuers are in the property valuation business, not the lending business and as such a Valuer's role is to flag potential risk issues that are apparent at the date of valuation and which might impact on the current market value of the subject property.
- **'Risk ratings' and 'Market Value' are mutually exclusive and must be assessed independently of each other.** Market Value represents the price that could reasonably be expected to be achieved from the sale of the subject property at the date of valuation (as defined in the Australian and New Zealand Valuation and Property Standards Manual). Risk Ratings represent the level of adverse impact each stated risk aspect might have on the subject property's current value and/or marketability. It is not appropriate to adjust the market value to achieve a desired risk rating.
- **Risk ratings should reflect the current status of the subject property within the broader economy and property market.** They should not reflect general/macroeconomic/property market fluctuations. Broader economic and property market conditions should be discussed elsewhere in the Report. The reason being is that the purpose of risk ratings is to highlight likely under performance of a particular asset not the general performance of the market.

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- **A risk should only be assessed once under a single risk aspect.** While a risk may logically fall under a couple of risk aspects, it could be interpreted as there being several issues with the subject property when realistically there is only one issue of concern.

Risk Rating User Guide

- The following provides a guideline on the allocation of risk ratings. The guideline is just that, a guideline only, and is not meant to deal with every situation but rather to provide some consistency in how risk ratings are applied more so from an interpretative point of view.

Any lender-client/LMI that has any concerns no matter how minor such concerns may be as to the various risk analysis ratings contained within a Report must submit in writing to the Valuer an explanation of those concerns and allow a reasonable period of time for the Valuer to comment on those concerns. No request(s) to a Valuer for change(s) to the Risk Ratings can be made by any lender-client/LMI other than in writing and specifying reason(s) for such change(s), and the Valuer reserves the right to consider, agree and/or reject such request.

Property Risk Ratings

Risk Rating	Location / Neighbourhood	Land (including planning, title)	Environmental Issues	Improvements
<p>1 - Low risk</p> <p>No readily identifiable adverse issue</p>	<ul style="list-style-type: none"> Reflects an overall rating for these two aspects. Refers to the quality of the neighbourhood combined with the location with respect to amenities and facilities. 	<ul style="list-style-type: none"> Land in this instance refers not only to the land physically, but also to access, services, planning and title. This is measured relative to the market the subject property is in. 	<ul style="list-style-type: none"> Covers a range of environmental issues including any significant, observable, visual and/or known defects, hazards or site contamination. 	<ul style="list-style-type: none"> Refers to all improvements, whether the main building or ancillary improvements (and for a TBE - Proposed Dwelling, Extensions or Renovations, would include concerns about aspects of the project or tender).
<p>2 - Low to medium risk</p> <p>Minor adverse issue only not warranting comment</p>	<ul style="list-style-type: none"> Sought after residential areas. Prestige locations including but not limited to CBD and/or inner suburbs. Standard suburban location. 	<ul style="list-style-type: none"> Block is freehold, near level and regular shaped. Title and plan of subdivision sighted. No apparent adverse issues. Residential zoning. 	<ul style="list-style-type: none"> Nothing at all to suggest there may be environmental issues. 	<ul style="list-style-type: none"> Relatively new home / ancillary improvements or a fully renovated home with sound layout, design, and appearance. Certificate of completion or certification sighted.
<p>3 - Medium risk</p> <p>There is an adverse issue for the lender-client/LMI to consider before reliance upon the Report</p>	<ul style="list-style-type: none"> Less preferred parts of suburban areas, but still nearby to all facilities and amenities. Stable residential areas. 	<ul style="list-style-type: none"> No title and plan sighted. Battle axe / narrow fronted block. Minor encumbrances, easements or encroachments but little affect on current marketability and/or value (eg storm water/sewerage access points). Perpetual Leases. 	<ul style="list-style-type: none"> Minor environmental issues not warranting comment such as overgrown vegetation, insects, etc. 	<ul style="list-style-type: none"> Existing home or ancillary improvements with normal wear and tear not warranting comment.
<p>4 - Medium to high risk</p> <p>There is an important adverse issue in the Report for the lender-client/LMI to consider before reliance upon the Report</p>	<ul style="list-style-type: none"> Secondary locations. Limited facilities and amenities. Proximity to other housing improvements of inferior market quality. Proximity to cemeteries. Proximity to correctional centres. 	<ul style="list-style-type: none"> Irregular block shape or moderate sloping land causing increased building costs. Split level blocks. Poor vehicular access. Issues with utility services. Moderate encumbrances, easements or encroachments that may adversely affect current marketability and/or value (eg power line). 	<ul style="list-style-type: none"> Property near or affected by main road, train line and moderate traffic noise. Known 100 year flood water in yard but not in the house. Storm surge area. 	<ul style="list-style-type: none"> Works requiring completion, including TBE. Repairs and maintenance required. Dwellings with unusual layout or design. Owner built and of a lesser standard to a tradesman built home. Any evidence of past termite damage (recommend sighting a current pest certificate). Presence of asbestos, but not unusual in this market. No evidence of approvals.
<p>5 - High risk</p> <p>There is an extremely important / urgent adverse issue in the Report that could have a major impact on the current value and/or marketability of the subject property for the lender-client/LMI to consider before reliance upon the Report</p>	<ul style="list-style-type: none"> Non sought after. Uncomplimentary surrounding development. Proximity to non-residential property uses. Remote from major facilities and amenities. Market stigma to area. Dwellings in industrial areas. 	<ul style="list-style-type: none"> Leasehold title where there is relatively poor security of tenure eg a limited leave period tenancy. Major zoning restriction (eg current use does not comply with planning, zoning). Very steep land and costly to build on, possible geotechnical issues. Access issues (eg by ferry only). 	<ul style="list-style-type: none"> Property adjacent to or affected by airport, major arterial roadway, train line, major traffic noise, transmission lines, service stations, electrical substation, etc. Known 100 year flood water would enter the house. Bushfire risk. 	<ul style="list-style-type: none"> Gutted building. Construction issues, including observable unstable asbestos. Possible building code issues (eg low ceiling height) Damage by fire, flood. Obvious or suspected active termites (recommend a pest report and treat the cost to repair as a discount to present value). Appears constructed too close to boundaries. Dwellings with less than 50m² living areas. TBEs where the progress payments are front-end loaded.
<p>5 - High risk</p> <p>There is an extremely important / urgent adverse issue in the Report that could have a major impact on the current value and/or marketability of the subject property for the lender-client/LMI to consider before reliance upon the Report</p>	<ul style="list-style-type: none"> Adjoining major industry. Isolated community. Market attracts a poor perception to this area. Other extreme risk. 	<ul style="list-style-type: none"> Does not comply with planning, zoning etc (eg very little chance a house could be built). Cultural heritage issues. No or extremely difficult access. Affected adversely by any current or known future authority proposals and/or requirements. Other extreme risk. 	<ul style="list-style-type: none"> Known site contamination from a previous land use (industrial or land fill). Evidence of soil contamination or radioactive material. Next to a polluting industrial site. Other extreme risk. Property adversely affected by mining subsidence. Property affected by coastal erosion. 	<ul style="list-style-type: none"> Evidence of major detrimental structural faults or issues. Other extreme risk. Observable exposed asbestos / friable asbestos.

Market Risk Ratings

Risk Rating	Recent Market Direction (price) A brief note of the recent direction (and strength) of movement in prices.	Market Volatility (changes in direction rapidly) The risk of significant adverse impact on the value of the subject property of the market changing direction rapidly. Refers to the relevant market segment.	Local Economy Impact The extent to which a significant change in the local economy is impacting adversely and/or the risk that it may impact adversely on the value of the subject property. Refers to the economy (population, employment and services) within that location.	Market Segment Conditions The extent to which the condition of the market in this particular market segment is impacting or may impact adversely on the subject property.
1 - Low risk No readily identifiable adverse issue	<ul style="list-style-type: none"> Stable prices. 	<ul style="list-style-type: none"> Stable market. 	<ul style="list-style-type: none"> Local economy stable Local economy is broad based and not overly exposed to only a few strong sectors. 	<ul style="list-style-type: none"> A readily available property with plenty of comparable sales and expected selling period of up to 6 weeks or thereabouts where demand is underpinned by the more stable owner occupier market.
2 - Low to medium risk Minor adverse issue only not warranting comment	<ul style="list-style-type: none"> Strengthening prices. 	<ul style="list-style-type: none"> Subject to normal market cycles 	<ul style="list-style-type: none"> Normal fluctuation in local economy (ie. construction and tourism) 	<ul style="list-style-type: none"> Standard property with comparable sales within the last 6 months and normal expected selling period of up to 3 months.
3 - Medium risk There is an adverse issue in the Report for the lender-client/LMI to consider before reliance upon the Report	<ul style="list-style-type: none"> Low volatile prices. Low declining prices. 	Historically market has gone through 1 cycle outside the wider market in the last 10 years ie as seen with apartments and investment grade properties - as supply can change quickly	<ul style="list-style-type: none"> Above average fluctuation in the local economy. 	<ul style="list-style-type: none"> Unique property with longer marketing period of up to 6 months. Limited sales evidence within the last 6 months. Sales evidence suggests a fairly broad range in value. Over capitalisation.
4 - Medium to high risk There is an important adverse issue in the Report for the lender-client/LMI to consider before reliance upon the Report	<ul style="list-style-type: none"> Moderate volatile prices. Moderate declining prices. 	<ul style="list-style-type: none"> Historically market has gone through 2 cycles outside the wider market in the last 10 years. 	<ul style="list-style-type: none"> Significant fluctuations in the local economy (ie as occurring in mining, rural or drought exposed industries). 	<ul style="list-style-type: none"> Unique property with longer marketing period of up to 12 months. Limited sales evidence within the last 12 months. Market largely driven by interstate/overseas investors and/or other factors. Sale not in line with local market. Inflated contract price.
5 - High risk There is an extremely important / urgent adverse issue in the Report that could have a major impact on the current value and/or marketability of the subject property for the lender-client/LMI to consider before reliance upon the Report.	<ul style="list-style-type: none"> High declining/heated market. 	<ul style="list-style-type: none"> Historically market has gone through 3 cycles outside the wider market in the last 10 years. Other extreme risk. 	<ul style="list-style-type: none"> Significant decline evident in the local economy. Other extreme risk. 	<ul style="list-style-type: none"> Long marketing period expected of over 12 months. Thinly traded market and hard to find a buyer, and there are no recent comparable sales. Inflated contract price over 10%. Note: Do not use a 5 if the area is thinly traded due to it being tightly held and highly desired by the market. Other extreme risk.

PROPERTY PRO SUPPORTING MEMORANDUM

1. Valuation & Assessments Summary

The valuation will be carried out in accordance with the General Concepts, Principles and Definitions section of the Valuation and Property Standards Manual and the Practice Standards and Guidance Notes of the API contained within the guide from time to time. The comments below relate specifically to the Report.

Market Value	<p>A single figure amount is recorded for the Market Value in line with traditional valuation practice. The figure will normally be arrived at after consideration of several valuation approaches such as Sales Comparison and Summation. Immediately above the Market Value is an apportionment of that value into its main components - the value of the land and the added value of the improvements. For Strata Title property a single value only is recorded, as an apportionment is inappropriate.</p> <p>As an additional security measure, the 'Market Value' is also provided in words.</p> <p>The Market Value assessed by the Valuer relates to the market conditions existing at the date of valuation (which will normally be the date of inspection).</p>
(Chattels)	<p>PropertyPro valuations include the following chattels:</p> <ul style="list-style-type: none">• fixed floor coverings,• window coverings, and• light fittings.
Rental Assessments	<p>Rental Value Unfurnished. This reflects the most probable market rental for the property assessed in the same condition as the property is valued. The rental is not to include rent for furniture unless:</p> <ul style="list-style-type: none">• a charge is held over the items,• the charge is sighted by the valuer,• a copy is annexed to the report, and• the Valuer makes specific note of the inclusion of furniture in the Section 8 (Additional Comments) section of the Report.
Insurance Assessment	<p>Replacement Insurance. This is an assessment of an insurable sum under replacement and reinstatement conditions. This would normally include:</p> <ul style="list-style-type: none">• estimated current construction cost,• provision for cost escalation during period of insurance and rebuilding process,• allowances for demolition and clean up, and• professional fees. <p>Cost of alternative rental accommodation is not included.</p> <p>Where a TBE, Extension or Renovation is involved, the assessment for Replacement Insurance should include the proposed work.</p> <p>No assessment is provided for a strata unit as insurance will normally be the responsibility of the Body Corporate for the whole development.</p> <p>It is agreed that Valuers are not experts in construction, construction costs and/or engineering matters and therefore where applicable an appropriate qualification, relating to Valuers not being experts in construction, construction costs and engineering matters, will be impliedly included in the Report unless expressly done so.</p>

PROPERTY PRO SUPPORTING MEMORANDUM

Recommendation	<p>The decision as to the suitability of security for a lending transaction and/or a mortgage insurance transaction is a commercial decision for the lender-client/LMI. That decision must not only be based on the content of the Report but should also extend to other factors beyond the subject property itself.</p> <p>However, a lender-client/LMI may ask the Valuer for further comment as to whether the subject property itself, as observed, is in a satisfactory condition both internally and externally, and is habitable and readily saleable at the assessed market value.</p> <p>Should the subject property have any observable and/or readily known easements, restrictions, environmental, planning or heritage issues and/or building defects that potentially affect marketability the Valuer must recommend further investigation by the lender-client/LMI (with comment in Section 8 (Additional Comments) of the Report). This does not relieve the lender-client/LMI from drawing to the Valuer's attention such matters known or readily ascertainable by the lender-client/LMI.</p> <p>If instructed to provide such the 'yes' / 'no' tick box in the Report format should be utilised.</p> <p>The following are clear examples of where a Valuer must comment that a subject property is not in a satisfactory condition.</p> <ul style="list-style-type: none">• Uninhabitable (includes no serviceable bathroom or kitchen)• No utilities to the subject property <p>It is not appropriate for the Valuer to recommend a loan to value ratio (LVR) or percentage to advance.</p>
Lenders Reference to Valuer	<p>The lender-client/LMI must obtain documents (whether on the recommendation of the Valuer or not), which may reveal matters not disclosed in the Report. If they might impact on the content of the Report (such as the value, marketability or risk analysis), they must be referred back to the Valuer for further consideration, comment and confirmation or otherwise of the valuation.</p> <p>While the Report may identify or comment on various aspects to alert the reader to various issues, it is not a substitute for recommended reports by appropriate experts, specialists or authorities..</p>
Documents to Sight	<p>This section will ask a yes / no question in relation to documents to be sighted by the lender-client/LMI.</p> <p>Subject to what is contained herein, all documents necessary for the Valuer to provide a Report must be provided by the lender-client/LMI. However, if unable to obtain such documents prior to issuing the Report and the answer is 'yes', comment is to be made in Section 8 (Additional Comments) of the Report subject to the other provisions of this Supplementary Memorandum. The below table provides guidance (only) of when documents should be obtained/sighted by the lender-client/LMI after receipt of the Report and prior to reliance and before entering into a loan or mortgage transaction. It is not exhaustive.</p> <p>In all cases where a document should be provided, if the Valuer feels that it may contain information that may affect the value of the subject property, this should be drawn to the lender-client's/LMI's attention.</p> <p>The provision/identification of the following documents are entirely subject to the other provisions of this Supporting Memorandum.</p>

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Document	Examples When It Should Be Recommended
Contract of Sale – Full Copy	<ul style="list-style-type: none"> • When the subject property is under contract and the full contract of sale has not been sighted by the Valuer. • Chattels are included in the sale. • When the Valuer suspects rebates, a lesser purchase price other than referred to in the Contract, or other issues that may affect value.
Building Inspection or Engineer’s Report	<ul style="list-style-type: none"> • Observable structural issues are identified in the improvements.
Building Certificate and Approvals	<ul style="list-style-type: none"> • When extensions to main building do not appear to comply with building regulations.
Council Approved Plans	<ul style="list-style-type: none"> • If the Valuer suspects the buildings are non-approved. • If only a preliminary plan has been provided for a TBE valuation.
Building Contract	<ul style="list-style-type: none"> • Any time a TBE valuation, including alterations and/or renovations, is complete and the building contract has not been provided
Certificate of Occupancy	<ul style="list-style-type: none"> • For all TBEs. • If doubt exists about whether the dwelling has final council approval.
Full Specifications	<ul style="list-style-type: none"> • Anytime a TBE valuation is complete and the building contract has not been provided or when not all details supplied.
Plan (or proposed plan) of Subdivision	<ul style="list-style-type: none"> • When the Valuer suspects issues may be revealed that may affect the value.
Certificate of Title	<ul style="list-style-type: none"> • When apparent or suspected significant encumbrances have been noted. • When the subject property is valued from proposed or preliminary plans.
Site Survey	<ul style="list-style-type: none"> • When encroachments are suspected.
Heritage Status	<ul style="list-style-type: none"> • When the subject property may have heritage issues.
Zoning Certificate	<ul style="list-style-type: none"> • When the subject property may have zoning issues or the zoning is uncertain.
Flood Search	<ul style="list-style-type: none"> • When the subject property may have flood issues that cannot be quantified and need to be.
Asbestos Report	<ul style="list-style-type: none"> • When the improvements may have observable unstable asbestos, including but not limited to observable disturbed/broken/friable asbestos materials.
Contaminated Land Search	<ul style="list-style-type: none"> • When the subject property may have contamination issues.
Pest Inspection	<ul style="list-style-type: none"> • When the subject property may have termite or other pest issues.
Body Corporate / Community Management Statement	<ul style="list-style-type: none"> • Whenever a unit is valued and the Community Management Statement has not been sighted.
Management Agreement	<ul style="list-style-type: none"> • Only when the unit is in a rental pool.
Leased Documents	<ul style="list-style-type: none"> • When a lease is in place and it is considered to affect value or risk.
Deposited Plan Strata Plan Crown Plan Title Plan	<ul style="list-style-type: none"> • When the Valuer suspects issues may be revealed that may affect the value.
Mining Subsidence	<ul style="list-style-type: none"> • When the subject property is located on old mining sites.

Should a Valuer not have sighted all the documents necessary for the final completion and provision of the Report, the Report should indicate what the Valuer has / has not been provided with and be qualified accordingly.

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Signing of Valuation Report

Section 1.6 above refers.

In signing a Report the primary signatory will state:

“I hereby certify that I personally inspected this property on the date below and have carried out the assessments above as at that date. Neither I, nor to the best of my knowledge, any member of this firm, has any conflict of interest, or direct, indirect or financial interest in relation to this property that is not disclosed herein.”

In stating that a Valuer has personally inspected the property, this means an external and internal inspection of such which must be sufficiently comprehensive to enable a Valuer to complete the valuation in accordance with accepted valuation practice at law.

The counter signatory, who undertakes a Review will state:

“Whilst not having inspected the property, I have reviewed the draft valuation and working papers, and based upon that review and appropriate questioning of the Valuer obtained reasonable satisfaction that the value opinion contained in the valuation has been reached, based on reasonable grounds.”

The Report will also state:

“This Report is for the use only of the party/s to which it is addressed for first mortgage purposes only and is not to be used for any other purpose. No responsibility is accepted or undertaken to third parties in respect thereof. No responsibility is accepted or undertaken in the event that the party/s to which it is addressed use this Report for any other purpose apart from that expressly outlined above.”

It should be noted the party/s as agreed may or may not include the LMI or such other agreed party although no such assumption of responsibility will occur on the part of the Valuer unless the Valuer gives a written consent to the LMI or such other agreed party being able to rely upon the Report and strictly pursuant to the terms of the Supporting Memorandum.

Should the lender-client/LMI provide a copy of the valuation to “interested/third parties” without the written approval of the Valuer, no responsibility is accepted for the valuation by the Valuer.

The Report will further state:

“This Report is made in accordance with the PropertyPRO Residential Valuation and Security Assessment Pro-forma Supporting Memorandum and must be interpreted with that Memorandum. The agreed parties are bound by the provisions of the Supporting Memorandum. The Supporting Memorandum is available at www.api.org.au”.

Transmission of Reports

When Reports are transmitted electronically, a Valuer must take all reasonable steps to protect the integrity of the data/text in the Report and to ensure that no errors occur in transmission.

The Valuer should ensure that the digital signature(s) is/are protected and fully under the Valuer’s control. A signature affixed to a Report electronically is considered as authentic and carries the same level of responsibility as a written signature on a paper copy Report.

A true electronic and/or paper copy of an electronically transmitted Report must be retained by the Valuer for the period required by law in his or her jurisdiction. Files of the records of electronically transmitted Reports may be kept on electronic, magnetic, or other media.

Where a Valuer proposes to provide a Report to a lender-client/LMI in an electronic format, the Valuer must:

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(a) obtain the lender-client's/LMI's prior consent to send the document electronically (as opposed to sending a traditional paper-based document); and

(b) agree with the lender-client/LMI on acceptable types of electronic signature to be used to sign the Report.

Before relying upon the Report and entering into any lending transaction/mortgage insurance policy with a borrower/mortgagor, a lender-client/LMI must read and fully understand the entire Report and also ensure that the signatory provisions on the Report are as agreed and/or consistent with any general instructions issued as between the lender-client/LMI and the Valuer.

Draft Reports must not be requested or issued.

2. THE LAND

Property Identification

This is to provide an indication of the means, other than street address, by which the subject property has been identified where this is the case. Where no such means other than street address has been used, the Valuer should indicate 'identification not confirmed'.

Valuers are not experts in survey matters and therefore no part of the Report should be construed as a survey report. If the Valuer's inspection indicates there is a reasonable possibility of any encroachment over easements or boundaries, a lender-client/LMI must obtain a survey report to clarify the issue following which it must provide that survey report to the Valuer. Reliance upon the Report without such a survey report will not be considered reasonable reliance and the Valuer will not have assumed responsibility for the valuation in such a circumstance.

Has title search been sighted?

Subject to what is contained herein, this requires either a 'yes' or 'no' answer to inform the lender-client/LMI if the Valuer has had the benefit of viewing a Title Search, however obtained. However, it is not the responsibility of the Valuer to carry out a Title Search, nor is it the responsibility of the Valuer to consider issues/matters referred to in that Title Search other than those that might obviously affect value even if the Valuer is not fully qualified to ascertain how such affectation may occur.

Zoning Effect

Subject to what is contained herein, it is the Valuer's responsibility to report upon whether the development/improvements conform with the permitted development and town planning use requirements. The Valuer should also report upon whether or not the zoning as applicable has any likely significant adverse affects on the subject property and any known proposed rezoning directly and indirectly affecting the subject property should be noted.

Location

This requires a statement as to the position of the subject property relative to the nearest town centre (CBD) and, if not a significant town, distance to the nearest main town or regional centre. It should indicate distances from other features such as schools, public transport and beaches. It does not require a description of the locality (this is provided under 'Neighbourhood').

Neighbourhood

This requires a description of the immediate locality and neighbouring development, drawing particular attention to any positive or negative features or aspects that impact on the value or marketability of the subject property including significant demographic changes.

Site Description & Access

This requires a brief description of the shape and topography of the site, its relationship to road level, its suitability for building, its aspect and any significant views, adverse outlooks or 'features' as relevant. Access should be described if difficult legally, physically or due to traffic.

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Services	Requires notation of the utilities connected to the site or those provided on-site such as septic, bottled gas or tank water. It also requires detail on street surfacing, kerbing and guttering and footpaths. The statement 'all usual services are connected' is not acceptable.
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3. MAIN BUILDING

Valuers are not construction/building experts and their responsibility in respect to construction, building and engineering issues is therefore to provide comments as to visual/observable issues or other issues drawn to their attention.

Style	This comprises a two-part description defining the building in terms of its number of levels and/or elevation and degree of attachment, eg split level detached; two storey terrace; high rise part floor; high-set multi-level detached, etc. Other style aspects such as architecture or period, can be noted in Section 8 (Additional Comments) of the Report if the Valuer considers this relevant.
Street Appeal	This relates to the kerb-side appeal or attractiveness of the building. For consistency, it has a five level rating ranging from 'high appeal' to 'low appeal'. It is not meant to describe its presentation, which is reflected more in 'External Condition'.
Main Walls & Roof	This refers to the construction material of the walls (eg full brick, brick veneer, timber or fibre cement cladding). The roof may be described as flat or pitched, with examples of cover being corrugated iron, terracotta or concrete tiled.
Window Frames	Describe construction material of frames (eg aluminium or timber)
Main Interior Linings	If there are numerous interior linings used, only the dominant ones are noted. Any feature linings such as timber panelling can be noted in 'Fixtures & Features'.
Flooring	Describes type of construction (eg timber floorboards, concrete slab, particle board, etc). Comment on floor finishes may also be appropriate in the fixtures and features section if tiled, paved, polished, carpeted etc.
Internal Condition	For consistency, this has a five level rating ranging from 'excellent' to 'poor' and reflects both repair and apparent physical condition including cracking and movement.
External Condition	For consistency, this has a five level rating ranging from 'excellent' to 'poor' and reflects both repair and apparent physical condition including cracking and movement.
Accommodation	Number of bedrooms is stated first, followed by number of bathrooms (includes en suites), other main rooms, then service or utility rooms and outdoor areas.
Interior Layout	Refers to practical layout and flowing floor plan or unconventional and impractical floor plan.
PC Items	<p>A list of the Prime Cost Items preferably starting with those in the kitchen, then laundry, bathroom(s), toilet and others servicing the whole building such as hot water service, air conditioning and ducted vacuum cleaner.</p> <p>It is not meant to cover all items that might be included in a specification as 'Provisional Cost' items (eg wall and floor tiles, door furniture, etc). These can, if unusual or particularly expensive, be included in Fixtures and Features.</p>
Fixtures and Features	A list of built in items (such as cupboards and robes) and main feature finishes (such as non-wet area tiled floors and wood panelling).

4. ANCILLARY IMPROVEMENTS

A list of ancillary improvements other than the 'main building', starting with significant items such as in-ground pool, tennis court, shed, etc., followed by secondary ancillary items such as fencing, paving, driveway, landscaping.

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5. SALES EVIDENCE & THE MARKET

PropertyPRO is specifically designed to assess the market value of a single residential property to be held as security for first mortgage purposes. As such its value must be assessed on the basis upon which it is, or is intended to be, held as a security. In principle this means that when applying "market value" such value would represent selling practices that would normally apply to an individual owner selling an individual residential property.

Sales Evidence

The sales evidence in the Report should, subject to what is set out elsewhere in this Supporting Memorandum:

- Include a minimum of three sales of properties considered by the Valuer to be comparable properties; and
- Be within six months of the date of valuation; and
- Be within 15% (plus or minus) of the market value adopted in the Report.

Comparable properties should be, as far as reasonably ascertainable, of similar type, location, age, condition and size to the subject property.

Where this is not achievable (that is, where there is limited or no sales evidence of comparable properties) a Valuer must provide additional and specific comment in relation to sales evidence. A Valuer should advise what adjustments have been made and the basis of comparison in Section 8 (Additional Comments) of the Report (eg dated sales or out of area sales).

When considering sales evidence for new home units, where possible, a Valuer must provide a minimum of three sales external to the subject development. This does not mean that sales in the subject complex be discarded, but that they need to be compared against the market.

A Valuer should consider the following secondary information and, as a minimum retain on file, or include in the 'Additional Comments' section of the Report:

- Contracts for sale that have been entered into but not completed
- Developer sales that are from the same development and not settled
- Properties currently on the market
- Any other matters not considered to be secondary sales information but which a reasonably competent valuer, in all the circumstances, would consider relevant.

Brief Comments

Each comparable sale should be briefly described. A Valuer has a duty to at least externally inspect all comparable sales relied on in the Report and to undertake adequate and proper analysis and adjustment of the information obtained from such external inspection.

In Comparison to Subject

In reconciling between the subject property and sales of comparable properties the Valuer should consider issues addressing location, land and site improvements. The Valuer needs to draw a conclusion as to whether each sale of comparable property is overall superior, similar or inferior.

It is acknowledged and agreed by lender-clients/LMIs that use of the terms 'superior', 'similar' or 'inferior' where used in the Report do not constitute a representation(s) as to the extent of such inferiority, superiority or similarity of properties referred to in the Report as comparable sales. A Valuer at his/her discretion may provide a comment as to the extent of such 'superiority', 'similarity' or 'inferiority'.

Comment on the overall comparability of each sale of a comparable property in relation to the subject property. Where appropriate, the Valuer should consider the location, view, accommodation, topography, aspect, improvements in terms of size, quality,

age, condition and design, shape and size of site area and other relevant features. In addition, home unit comparison should include level/floor, number of units in complex and strata area (living and total) for the comparables.

For consistency and clarity, the comparison should be made between the comparable property compared to the subject property (not the other way around). Subject to what is contained herein for example, if the comparison states 'inferior' it should mean that the comparable property is generally inferior to the subject property. Where warranted, it should also contain a brief note of any major differences not apparent from the description, eg 'steeper block' or 'badly needs paint'.

Under Brief Comments below, Valuers are required to provide as full as description of the construction type as is reasonably observable during the inspection or subsequent further inspection and enquiry.

The table below is included for illustrative purposes only and should not be relied upon to interpret any provisions of this Supporting Memorandum but is provided to assist the Valuer in determining what information to include when outlining the sales evidence portion of the Report.

Address	Sale Date	Price	Brief Comments	In Comparison to Subject
58 Wallaby Street, Smithville	14/09/2010	\$455,000	A circa 2010, brick, 4 bedroom, 2 bathroom, single residence with concrete tile roof. Areas: living - 196 sqm; land - 526 sqm. Parkland views.	Slightly superior location, slightly inferior land area, similar street appeal, inferior overall improvements. Overall inferior.
12 Wombat Way, Smithville	13/08/2010	\$475,000	A circa 2008, brick, 3 bedroom, 2 bathroom, single residence with concrete tile roof. Areas: living - 198 sqm; land - 600 sqm.	Slightly inferior location, similar street appeal, inferior overall improvements. Overall inferior.
85 Numbat Street, Smithville	12/07/2010	\$510,000	A circa 2007, brick, 4 bedroom, 2 bathroom, single residence with concrete tile roof. Areas: living - 220 sqm; land - 755 sqm. Ancillary impts include below ground pool.	Inferior location, superior land area, slightly inferior street appeal, similar overall improvements, superior site improvements. Overall superior.
6 Eagle Street, Smithville	22/08/2010	\$540,000	A circa 2006, brick, 4 bedroom, 2 bathroom, single residence with colorbond roof. Areas: living - 218 sqm; land - 690 sqm. Ancillary impts include below ground pool.	Slightly inferior location, similar street appeal, similar overall improvements, superior site improvements. Overall superior.

Sale of subject property

Where a sale/s of the subject property has occurred in the past 3 years, it must be noted. Specific comment should be made by the Valuer if a current sale is not considered to be in line with the market or is known to be affected by special circumstances or incentives.

Subject to what is contained herein, the Valuer may not (be able to) sight a copy of the contract. If the lender-client/LMI is aware of special circumstances or incentives, the Valuer must be supplied with details by the lender-client/LMI and may be asked to comment.

It is a requirement that a Valuer give consideration to the 'purchase price' of the subject property, subject always to the date of such purchase. The Valuer is expected in such consideration to also have regard to other sales of comparable properties in determining the weight that the Valuer attributes to the 'purchase price' of the subject property as representing the best evidence of the subject property's market value.

Where the valuation varies significantly from a current or recent sale of the subject property, the reasons should be outlined in Section 8 (Additional Comments) of the Report.

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Level of Market Activity

A brief note to describe the level of existing/current and known market activity as an indicator of the condition of the market. Adverse market conditions will reflect in the risk analysis and should be further commented on within the requirements of that section. As a guide only but for consistency the following are reflected in drop boxes identified below as part of the Report.

Description	Explanation
Strong Sales Activity	<ul style="list-style-type: none"> – Undersupply – Very short selling periods (that is less than 30 days) – High auction clearance rate – High levels of optimism
Strengthening Sales Activity	– Signs of sales volumes increasing
Sales Beginning to Strengthen	– Early signs of sales volumes increasing but difficult to quantify
Stable Sales Activity	<ul style="list-style-type: none"> – Auction clearance rates at long term averages – Activity approximating long term average for area – Average selling period of circa 30 to 60 days – Balanced supply and demand
Sales Beginning to Weaken	– Early signs of sales volumes declining but difficult to quantify
Weakening Sales Activity	– Signs of sales volumes declining
Limited Sales Activity	<ul style="list-style-type: none"> – Rebates being offered – Oversupply – Lengthening selling periods (that is, greater than 12 months) – Little enquiry level – General market pessimism

Selling Period > 6 months

A 'Yes' or 'No' answer is required. If the selling period is expected to be greater than 6 months further comment is required in Section 8 of the Report, advising why the extended period is necessary.

In line with the "market segment conditions" of the risk ratings, as a minimum, such properties should have a 4 "medium to high" risk rating.

Is the sale in line with Local Market?

A 'Yes' or 'No' answer is required. If 'Yes', the Valuer is confirming that the sale price of the subject property is based on evidence that is reflective of informed purchasers and realistic marketing conditions or strategies as is commonly known at the time and such as would be readily available to an individual owner on resale. In other words "What the subject property could be expected to sell for if offered as an individual property through a competent local agent adopting a marketing strategy that would normally apply to a property of this nature being marketed as an individual property".

Contract of Sale

This requires a 'Yes' or 'No' statement in response to the question 'Has a full copy of the Contract of Sale been sighted?'. Where the contract of sale has not been sighted by the Valuer it is a requirement that any party relying on the Report undertake their own enquiries to obtain a full copy of the Contract for Sale to read and consider and to ensure there are no special circumstances or incentives which may affect the market value of the subject property.

The Valuer is to provide comment in Section 8 on what has been provided / relied upon.

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6. ADDITIONAL COMMENTS

Any Risk Ratings of '3', '4', or '5' must be commented on here. Additional comments can be made about the content of other sections of the Report but it should be a comment that enhances or elaborates on what has already been provided and not merely repeats what has already been stated. This section can be expanded on to another page if necessary. It can also be used to explain any unusual aspects that the Report format does not specifically address.

Comments can be in either narrative or dot point form.

As a protocol the comments should follow the order below:

- Risk Rating commentary
- Property commentary
- Market commentary
- Additional comments

7. IMPORTANT NOTES AND QUALIFICATIONS

Nominated Additional Parties

This section appears only if it contains information. If the instructing lender-client/LMI requires the Report to nominate others as additional parties who may rely on the Report, and subject to the Valuer's written consent to such requirement, they must be stated in this section.

Report Clarification - Amended Report

A Report once submitted cannot be altered or amended without a specific written request by the lender-client/LMI in relation to a concern about the Report and in particular the Risk Ratings. After provision of the Report by the Valuer to the lender-client/LMI and before any reliance thereon by the lender-client/LMI, if the lender-client/LMI would like the Valuer to undertake additional enquiries, the lender-client/LMI must inform the Valuer in writing. If additional enquiries or investigations are undertaken and identify matters different to those outlined or assumed in the Report or which clarify or enhance the Report, the Valuer reserves the right to alter the content of the Report, if required. Should this occur, an Amended Report must be issued with a note that the original Report is withdrawn and all copies of it must be returned to the Valuer.

When amending a Report, the Valuer must ensure the words 'AMENDED REPORT' are clearly marked on the front page of the document.

Furthermore, if parties entitled to rely on a Report do not understand or accept any part of its content, or consider that inadequate information has been provided, the Valuer must be contacted in writing before any reliance on the Report including any reliance upon the Report for the purpose of a mortgage transaction or a mortgage insurance transaction.

Photographic Evidence

Valuers should, as permitted at the time of inspection and as reasonably possible, take a minimum of five colour photographs of relevant parts of the subject property, including at least one photo of the front elevation, rear elevation, kitchen, bathroom and other significant improvements including those observed as in need of repair (eg harbour view, swimming pool, structural defects etc.).

Photographs will not only assist the lender-client/LMI in understanding the nature and value of the subject property, but also assist in any future dispute resolution.

Qualifications

The lender-client/LMI acknowledges that the Report may be provided based upon specific assumptions and may be subject to specific qualifications as outlined in the Report. This may be for a variety of reasons. The lender-client/LMI must satisfy itself in respect of such assumed or qualified matter(s) prior to relying upon the Report. The lender-client/LMI acknowledges

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that the Valuer does not warrant or represent that any assumed or qualified matter is accurate or correct.

In the event that a Report is qualified or based on any assumption(s) then it is the lender-client's/LMI's sole responsibility to request clarity and/or confirmation of the qualification(s) and/or assumption(s) referred to before reliance upon the or any part of the Report, for any purpose. Such request must be made in writing to the Valuer.

The intent of using qualifications and disclaimers should be from a position of providing a more fully understood Report where the reader of such obtains at least some if not all of the following (which list of itself is not extensive):

- A clear understanding of the purpose for which the Report is given.
- Those to whom the Report is clearly being given, and as such, those to whom the Report is not being given (for the purpose of reliance).
- Clarifying issues that remain unresolved in order to complete the Report as a product.
- The setting out of clear and unambiguous "warnings/cautions" to a reader to ensure that the reader can make a well informed decision based on what is in the Report in the form of a qualification or disclaimer.
- A full appreciation of the extent of the retainer and obligations that the Valuer has taken on, in order to provide the Report/advice.

Accepted practice is to include within the Report a statement to the following effect:

'This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the subject property or factors that the Valuer could not have reasonably become aware as at the date of the Report). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the date of the valuation'.

Reliance on a Report by a lender-client/LMI must be reasonable in all the circumstances. This is especially so after the date of the Report. For example, in some circumstances it may be reasonable for the lender-client/LMI to rely on the Report at a time up to 90 days from the valuation date. This time period may vary, dependent upon any number of circumstances arising after the valuation date.

The Valuer will not assume any responsibility for reliance by the lender-client/LMI on the Report after the expiration of 90 days from the date of valuation, or the expiration of what is considered to be a reasonable time, whichever is the lesser. A Valuer does not warrant, guarantee and/or represent that the content of the Report will remain unchanged for any period of time beyond the date of the Report and depending upon known and/or foreseeable facts that might impact upon such value, such further time as maybe reasonable in all of the circumstances. The lender-client/LMI should therefore review and consider the Report, regularly and frequently, before reliance.

Subject to the contents herein, lender-clients/LMIs will not rely upon a Report notwithstanding what time has elapsed since the valuation date in the event that such lender-clients/LMIs become aware of or ought reasonably to have become aware of any information of any type and/or description that would in the opinion of the lender-client/LMI or a reasonable and prudent lender-client/LMI, alter or likely alter the Report in any way.

Valuers should be aware of the requirements of some professional indemnity insurers who require certain clauses to be included in Reports (such as 'Market Movement' or 'Prudent Lending Clauses'), as a condition of insurance coverage. This issue should be raised with lender-clients/LMIs at the time of instruction.

Assigning Valuations

As a general rule assignments should not be undertaken, however if the Valuer agrees to assign a Report it should:

- Be in writing with the express understanding, knowledge and agreement of the Valuer that the assignment can only be used and relied upon by the assignee.
- Be subject to this Supporting Memorandum as set out in the Report.
- Subject to what is contained herein, not be given without the Valuer being able to undertake further investigations to confirm (or otherwise) the original Report.

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- Only be given having regard to the requirements of a Valuer's professional indemnity insurance policy
- Be subject to payment of an additional fee.

The Valuer may decline to assign the Report to any third party for any reason. In the event that a Valuer agrees to such assignment and is not instructed to undertake a further inspection and/or investigations, then such assignment of the Report will be at the value as determined by the Valuer as at the date of the valuation in the Report and such Report will be pursuant to the terms of this Supporting Memorandum.

GST – Valuations for Mortgage Lending Purposes - Residential

Residential Mortgage Valuations are undertaken on the basis of market value which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion”. In respect of GST, the assumption is made that the transaction is between parties not registered (and not required to be registered) for GST.

The subject property should always be treated as though GST is not applicable.

In the case of a TBE report on an “As If Complete” basis this assumption remains valid. The cost of land (in some cases) and construction include a GST component, however, the subject property is being valued to market value in the same way as an existing residential property. The valuation is assessed with reference to sales of comparable properties to which GST is not applicable and the valuation does not have regard to the specific circumstances of the actual parties involved.

No change is required to the established treatment of GST, however it is proposed to clarify that residential mortgage valuations do not include GST through the inclusion of the following clause in the Important Notes & Qualifications section of the Report:

GST Report Clause

“Valuations of residential property for mortgage security purposes are undertaken on the basis that GST is not applicable. This valuation is prepared on the assumption that the subject property does not constitute a ‘new residential premises’ as defined under ATO Ruling GSTR 2003/3. Further it is assumed that the subject property will transact as a residential property between parties not registered (and not required to be registered) for GST. The market valuation herein reflects a market transaction to which GST is not applicable.”

The lender should satisfy themselves of the GST position of the borrower prior to extending funds.

8. CAPPED LIABILITY SCHEME

All members of Australian Property Institute Valuers Limited seeking to enjoy the benefits of the Limitation of Liability Scheme are required to include the following statement in their Report:

‘Liability limited by a scheme approved under Professional Standards Legislation.’

The statement must be printed in a size not less than the face measurement of Times New Roman typeface in 8 point.

It may only be used by those covered by the Scheme.

4.0 Matters on which the Valuer may provide Restricted Comment

4.1 Aspects Requiring Specialists Reports

The Report may provide restricted or limited comment on a range of matters primarily to draw attention to aspects that may require information and/or advice from others before confirmation of the Report by the Valuer. These may be in specialist areas where the Valuer often will have some knowledge but in which the Valuer is either not an expert or is not permitted under some act or regulation, to express a definitive opinion. The comments could note some observed condition or indication of a possible problem area and could lead to recommendations for reports from such experts as (without limiting the extent of such experts or other sources of information):

- Pest Controllers
- Land Surveyors
- Geo-technical Engineers
- Structural Engineers
- Building Inspectors
- Solicitors
- Environmental Surveyors
- Contamination experts and/or authorities
- Town Planners
- Regulatory Bodies, Authorities and Government(s)

4.2 Valuers Initial Comments Indicative Only

The Valuer's comments should be taken as indicative only and not definitive on the particular matter. For example, the Valuer's inspection may note that the building appears to be too close to what appears to be the boundary. The Valuer's Report may then note this and recommend that a surveyor's report be obtained. In this way the Valuer serves to highlight need for a particular action. Any valuation or risk assessment provided will normally be subject to such reports being satisfactory.

4.3 Refer to Valuer

When the specialist's report(s) and/or other relevant sources of information have been

obtained, they must be referred back to the Valuer by the lender-client/LMI and/or anyone acting on their behalf and with their authority for comment as to how it impacts on the valuation, the risk analysis or the marketability of the subject property. Any reliance upon a Report without such matters having been referred to the Valuer in accordance with this paragraph will not be considered reasonable reliance and the Valuer will not assume responsibility for any such reliance.

5.0 Departure Provisions

When circumstances arise which the Valuer considers warrant departure from the provisions of this Supporting Memorandum, the reason for the departure should be clearly stated in Section 8 (Additional Comments) of the Report and/or, if possible, drawn to the lender-client's/LMI's attention prior to completion of the Report.

6.0 Matters that must be reviewed and checked by lender-client/LMI and/or its solicitor or others on the lender-client's/LMI's behalf

6.1 Refer to Valuer

A Report may be based upon information or documents, the content of which is subsequently revealed to be either incorrect or incomplete or inconsistent with what has been outlined in the Report. When any of these occurrences is discovered by subsequent checking, it must be referred to the Valuer for further comment and advice as to how it affects the valuation and security assessment. Reliance upon the Report without such referral back to the Valuer will not be considered reasonable reliance and the Valuer will not have assumed responsibility for the valuation in such a circumstance.

6.2 Lender-client/LMI or solicitor/legal representative must check

There are many issues and matters reported in the Report which the Valuer either requires or assumes that the lender-client/LMI and/or its solicitor(s)/ legal representative(s) and/or others instructed by the lender-client/LMI will confirm or ascertain prior to any lending transaction/mortgage transaction taking place. The responsibility is on the lender-

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client's/LMI's solicitors and/or others instructed by the lender-client/LMI to read the entirety of a Report and comment upon and provide advice to the lender-client/LMI prior to any reliance by them for the purpose of a mortgage/LMI transaction.

The lender-client/LMI acknowledges that, if the lender-client's/LMI's solicitors are on notice of facts that cast doubt on the correctness of the content of the Report, the lender-client's/LMI's solicitors and/or those instructed by the lender-client/LMI to undertake such work have a duty to draw this to the lender-client's/LMI's attention notwithstanding any specific contractual relationship between them.

In the event that such solicitor(s)/legal representative(s) draw to the attention of the lender-client/LMI facts and/or information of the type referred to in this paragraph, then before any reliance can occur on the Report the lender-client/LMI must provide the Valuer with such facts and/or information. Failure to do so and subsequent reliance on the Report will not constitute reasonable reliance on the Report.

The relevant areas of checking include, but are not limited to:

- Title details including all restrictions, encumbrances, etc; full zoning and/or town planning and development approval issues.
- Environmental issues in relation to things such as flora and fauna that may well affect the value because of zoning restrictions.
- The building construction and development applications and building contracts.
- All other matter(s) arising from every search the solicitor undertakes in relation to a property transaction as solicitor for the lender-client/LMI including searches and responses from any relevant authority, the relevant searches of all body corporate records and amounts held in sinking funds and all other issues for consideration in strata title property valuations.
- Any other matter(s) considered to be within the expertise of a solicitor/legal representative of the lender-client/LMI.

7.0 Information the Valuer could be expected to hold on file

7.1 Valuer's File Should Contain

A Valuer's file for any Report could be expected to contain:

- Copy of Instructions.
- Copy of the Report as submitted to the lender-client/LMI.
- Copy of any documents provided by the lender-client/LMI, its solicitor or the borrower.
- Copy of any block, subdivision or strata plans relied upon.
- Copy of Valuer's inspection notes for the subject property including:
 - A plan of the main buildings, (recording external wall dimensions). Building areas required in the Report are to be based on measurement and calculation.
 - Adequate notes to record any necessary detail beyond that required in the Report covering construction of the main building, its quality, finishes, condition and any essential repairs.
 - Adequate notes of ancillary improvements.
- Copy of Valuer's inquiry sheet if appropriate adequately recording any additional research information obtained and preferably from whom and/or where.
- Photographs (or photocopy of original).
- Copy of Valuer's work sheet. Where a TBE/Extension/Renovation is involved, calculations for the Check Costing and for Progress Draws (where applicable) should also be on file.
- Copy of any special document relied on that the Valuer considers relates to the subject property specifically rather than properties in general.

NOTE:

While Valuers may use a variety of methods to record their field notes, as a guide, information recorded and retained on file should be adequate:

- to demonstrate that a proper inspection has been carried out, and
- to allow the Valuer to discuss the subject property and the Report with the lender-client/LMI or its service providers at some point in the future (which may be some years hence).

8.0 Date of Effect

The effective date of the Supporting Memorandum is 1 March 2019.