

Australian Banking & Finance Industry

Residential Valuation Standing Instructions

For PropertyPRO, Progress Inspection and Restricted Assessment Reports.

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1. GENERAL MATTERS

1.1. Valuer Qualifications

In States where registration or licensing is required, the instructing party will only accept residential property valuations by the Primary (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) and are subject to the API Supervision Guidelines (as contained in the PropertyPRO Supporting Memorandum) as well as any additional client defined valuation threshold and/or counter signatory requirements.

The Table below outlines the acceptable API certifications counter signatory and thresholds for the particular valuation types.

API Certification	Counter Signature by CPV Required	Valuations up to \$2mil	Valuations exceeding \$2mil	Restricted "Kerbside" Assessments	Progress Inspections	Amended Valuations
PMAPI RPV	Yes*	Yes	No	Yes*	Yes	Yes
AAPI / FAPI / LFAPI with CPV	As required by APIV Ltd Supervision Guidelines	Yes	Yes	Yes	Yes	Yes

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

* Subject to API Rules of Professional Conduct

1.2. Professional Expectations

Valuers must:

- a. Be appointed to the Instructing Party's individual panel and meet the above Valuer qualification requirements prior to undertaking the valuation.
- b. Comply with the API Rules of Professional Conduct and any other professional obligations published or adopted by the API.
- c. 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.
- d. Notify the instructing party immediately if the Valuer or Valuation firm discovers or is made aware of a conflict of interest.
- e. Ensure that they are compliant with the requirements of membership of the API. 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.
- f. Complete the report in accordance with the API PropertyPRO format.

- g. Follow the most recent PropertyPRO Supporting Memorandum (including Risk Rating Matrix), together with the relevant API guidance papers and publications.
- h. Report and comment 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 affect value and marketability and are apparent or reasonably foreseeable 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.

2. PROPERTYPRO

2.1. Preamble

These Valuation Standing Instructions provide operational clarity and are subject to the API PropertyPRO Supporting Memorandum.

2.2. Property Inspections

A full inspection is required for PropertyPRO reports. This means that the Valuer has personally physically inspected the property, including an internal and external inspection of any improvements on the property, and the inspection is sufficiently comprehensive to enable the Valuer to complete the valuation in accordance with accepted valuation practice.

2.2.1. Improved Property

When undertaking a full inspection valuation of a property with improvements, and a portion of the improvements are unable to be inspected, the Valuer should consider whether the inaccessible portion of the improvements is of critical relevance to the valuation.

If the inaccessible portion of the improvements is considered by the Valuer not to be of critical relevance to the valuation, the Valuer should include comments in the report/advice:

- a. outlining the extent of the inspection undertaken; and
- b. appropriate qualifications and explanation of assumptions made.

Where the Valuer considers that the inaccessible portion of the improvements is of critical relevance to the valuation, then the Valuer should not complete the valuation report and the instruction should be referred back to the instructing party/client.

2.2.2. Vacant Land

When undertaking a full inspection valuation of a vacant site, the requirement to physically inspect the subject property means the Valuer is required to locate and view the actual site 'on the ground'. That is, the Valuer is required to 'walk the site' sufficiently in order to obtain a clear understanding of the features of the subject property, including its characteristics and any associated risks.

Where the Valuer cannot physically inspect the subject property, the Valuer should not complete the valuation report and the instruction should be referred back to the instructing party/client.

2.2.3. Access Unavailable

Inspection of the subject property is sometimes unable to be undertaken due to construction works occurring in new developments/subdivisions. If access to the subject property is not available, and the Valuer has therefore not been able to physically inspect the subject property, the Valuer should not complete the report and the instruction should be referred back to the instructing party/client with an explanation of why the property was unable to be physically inspected. Photographic evidence showing why the Valuer was unable to physically inspect the subject property, should also be provided.

2.3. Suitable / In Scope

- a. A single house or dwelling.
- b. A single home unit, villa or townhouse.
- c. A vacant allotment on which the construction of not more than two residential dwellings is permitted.
- d. A Residential Property with Development Potential. (refer to '**Other Property Types**' Section 12.2)
- e. Dual occupancy properties in which no more than two approved dwellings are held on one certificate of title.
- f. **As If Complete** or **To Be Erected** residential dwellings (no more than two dwellings on one title).
- g. The land size is twenty (20) hectares or less.
- h. A rural residential property, with a site area of twenty (20) hectares or less, where a single residential use is permitted - including hobby farms and rural lifestyle properties **only** where any income producing capacity of the property is considered incidental by comparison to residential use. (refer to '**Other Property Types**' Section 12.11)
- i. A leasehold residential property where the head lessor is the Crown / Government Agency.
- j. A single dwelling in a company title building.
- k. A single dwelling in an 'Over 55's' (or other age / ability restricted) development. (refer to '**Other Property Types**' Section 12.7)
- l. A Display Home only where the current zoning, consent conditions, restrictions on title and/or lease will allow a permanent residential use within a relatively short period of time (i.e. not more than 12 months). (refer to '**Other Property Types**' Section 12.5)
- m. A serviced apartment or purpose built student accommodation apartment **only** where the current zoning, consent conditions, restrictions on title and/or management agreement will allow an alternative permanent residential use. (refer to '**Other Property Types**' Section 12.6)
- n. A property used or advertised for use as 'short stay accommodation', for example; AirBnB, excluding a property approved for use as a bed & breakfast property.
- o. Properties subject to Limited Title in NSW. Limited titles are issued indicating that the boundaries have not been examined in NSW LRS where land is not fully defined by survey in a new deposited plan. This occurs in situations where there may be building improvements across title boundaries as a result of old system title having been converted to the Torrens Title System without a survey to confirm the boundaries. The existence of 'Limited Title' is recorded in the second schedule on the title.

2.4. Unsuitable / Out of Scope

- a. Valuations that are not for Mortgage Security purposes (e.g. MIP Valuations).
- b. A property for which a residential use is not permitted (e.g. vacant land where there is no dwelling entitlement).
- c. A property where the approved use is non-residential.
- d. Any property with a land area greater than twenty (20) hectares.
- e. 'As if Complete' projects subject to 'cost plus' contracts.
- f. Properties that are income-producing (excepting rent for a residential use or income from a hobby farm / rural lifestyle property that **does not meet** the requirements to be completed on PropertyPRO contained in the '**Other Property Types**' Section 12.11).
- g. Retirement village units, hostels and aged care units.
- h. Boarding houses (a property that is purpose built and/or approved for use as a boarding / lodging / rooming house).
- i. A serviced apartment or purpose-built student accommodation apartment for which the current zoning, consent conditions, restrictions on title and/or management agreement does not allow a permanent residential use.
- j. A property that is purpose built and/or approved for use as a Bed and Breakfast property (excluding property used as AirBnB).
- k. A property that is purpose built and/or leased and/or approved/certified and/or has restrictions on title for use as Specialist Disability Accommodation (SDA). For example, NDIS property with a long-term lease. Note: "purpose built" does not include properties with minor SDA modifications.
- l. Two (2) dwellings on one (1) title, either existing or 'as if complete' where the highest and best use is for subdivision. (refer to '**Other Property Types**' Section 12.3).
- m. Development sites or englobo land where the highest and best use is for subdivision. (refer to '**Other Property Types**' Section 12.2).
- n. Properties with three or more approved dwellings on one title (e.g. houses, flats, units and villas).
- o. Any non-residential property including office, retail or industrial.
- p. A Display Home, either existing or proposed for which the current zoning, Display Village Agreement, restrictions on title and/or lease does not allow a permanent residential use within twelve (12) months. That is, the property owner / landlord / lessor cannot obtain vacant possession within twelve (12) months or less, and there are restrictions on permanent use.(refer to '**Other Property Types**' Section 12.5).
- q. Mixed use properties (e.g. shop and residence - note: this does not refer to residential properties in a mixed use zoning or home occupations).
- r. Properties that do not have legal street access (e.g. a "land locked" property).
- s. Properties subject to Moiety Title (SA), Purple Title (WA), Stratum Title, life tenancy or similar, and (Residential units in a 'tenants in common' development, excluding single home units). (See 2.3 (o) for Limited Title in NSW).
- t. Properties subject to the ACT Land Rent Scheme.
- u. Residential property where in the Valuer's opinion the market value exceeds \$5 million.

- v. An existing improved property for which there is no prior residential use and/or no plans/approval for conversion to a single residential dwelling (e.g. a church sold for conversion to a dwelling).
- w. Construction valuation where separate 'As Is' and 'As if Complete' values are requested.
- x. Vacant land valuation requests where the vacant land is not re-saleable at the date of valuation or at settlement in the open market (refer to '**Restrictions for Vacant Land Valuations**' Section 3.10.3).
- y. Vacant land for which a single dwelling is a 'discretionary use' (refer to '**Zoning, Town Planning Regulations & Use**' Section 5.5).
- z. Properties where a residential use is performance based (refer to '**Zoning, Town Planning Regulations & Use**' Section 5.5).

2.5. Administration

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

2.6. Valuation Date and Signatories

- a. The valuation date must be the date of inspection.
- b. The 'Date of Issue' of the report, which is the date that the Valuer sends the Report to the Client or a third party intermediary, must be included.
- c. The Report must be signed by the Primary (inspecting) Valuer.
- d. The Report should state the Primary (inspecting) Valuer and counter signatory's name, API membership certification and Valuer's API membership number and State registration number (where applicable), together with the valuation firm details.

3. VALUATION ASSESSMENTS

3.1. Basis of Value - Market Value

- a. Provide an assessment of market value as at the date of inspection.
- b. Exclude goods, chattels, water licences (or equivalent) that may be sold independently from the property, or any known incentives; e.g. furniture, rebates, “trade dollars”, tax incentives, etc.

Note	Where the Valuer is aware of any goods, chattels, water licences (or equivalent) and/or other incentives that have been excluded from the assessment of market value, the Valuer must make comment in the additional comments section.
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3.2. Definition of Market Value

The definition of Market Value as stipulated by the International Valuations Standards Council and adopted by the Australian 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 as adopted by the Australian Property Institute)

3.3. Premise of Value – Highest and Best Use

The assessed market value must reflect the highest and best use for the subject property. Highest and Best Use is defined as follows:

The use of an asset that would produce the highest value and must be physically possible, legally permissible and financially feasible.

(Australian Property Institute PropertyPRO Supporting Memorandum)

3.4. Value Component

The value component will be either:

- a. Existing Property (‘As Is’), where the valuation reflects the subject property as inspected at the date of inspection/valuation; or
- b. ‘As If Complete’, where the valuation is;
 - i. for proposed works and those proposed works are assumed to be in a completed state and reflects market conditions as at the date of inspection/valuation; and/or
 - ii. conditional upon legal registration of the subject property, that is issue of title; and/or
 - iii. subject to a specific instruction to assume that something physical or legal has occurred as at the date of inspection/valuation.

3.5. Exclusive Use Rights

Any area of the common property dedicated by way of a by-law or licence agreement for the exclusive use of a specified unit/lot/allotment owner is considered to be subject to exclusive use right.

Any exclusive use right/s dedication known to the Valuer must be commented on in the valuation report.

Where an exclusive use right/s is identified, the Valuer must:

- a. Clearly describe the nature of any exclusive use of common property identified and provide details of the documentation provided, sourced or relied upon.
- b. Provide photo/s identifying the area subject to the exclusive use right/s (where possible).
- c. Include commentary regarding the impact on marketability and value and if appropriate, elevate risk ratings.
- d. Include the exclusive use right/s when forming an opinion of value.
- e. Recommend any documents or expert advice that should be sourced by the Lender.

In exceptional circumstances, it is recommended that the Valuer seek instructions from the lender prior to proceeding.

3.6. Replacement Insurance Estimate

Provide a cost estimate for building insurance. The estimate should include the current replacement cost as well as allowances for:

- a. Demolition, removal of debris and clearing of the site for reconstruction.
- b. All professional fees.
- c. Council and other statutory fees and charges.
- d. An escalation allowance on all costs through the insured year from the valuation date.

3.7. Rental Assessment

Provide the Valuer's opinion of the estimated weekly market rent for the property assessed in the same condition as the property is valued. The Valuer should:

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

Note	Where the Valuer has identified Essential Repairs (refer 6.3) and noted that the property is 'Not Suitable for Rent', an 'as if complete' rental assessment should be provided in the Additional Comments section of the report.
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3.8. Estimated Selling Period

- a. Provide an estimated selling period that reflects current market conditions and the assessed market value.
- b. If the selling period is greater than 6 months, trigger VRA 2 and provide explanatory comments in the Additional Comments section of the Report.

3.9. Off the Plan Transactions

Buying real estate in an 'Off the Plan Transaction' means signing a real estate contract to purchase a property, either vacant land or proposed improvements (to be constructed), based upon plans and documentation provided by the vendor (developer).

When valuing a property purchased "off the plan", the Valuer should:

- a. 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 Section 2.2).
- b. Comment in the Additional Comments section that it is an "off the plan" transaction.
- c. Indicate whether the Contract of Sale and Special Conditions has been sighted.
- d. Note the purchase price and contract date (if known).
- e. If not already completed / settled, indicate the anticipated completion date of the subject property and development including any bonded works (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:

- f. construction of built structures on any part of the subject land; and / or
- g. any items that are a condition of the contract (e.g. common areas, roads, services); and / or
- h. the Certificate of Title for the subject property is not issued.

3.10. Restrictions within a Contract of Sale or Transfer

3.10.1. Overview

Where the Valuer is aware that there are any encumbrances, caveats on the Title and / or conditions of a contract of sale terms relating to the re-sale of the property or land, the Valuer should have consideration of the following:

- a. The type of property and valuation being instructed e.g. off the plan, vacant land, existing property or construction.
- b. Materiality of any restriction, and
- c. When the restriction is applicable.

3.10.2. General and Critical Restrictions

A general encumbrance, caveats on the Title and /or conditions of a contract of sale may include but are not limited to:

- a. Any restriction imposed by the vendor prior to settlement that ceases to have effect post settlement (e.g. restriction of re-sale prior to settlement of the current contract).

- b. Any restriction considered nominal, discretionary or performance based that would not impact the marketability or saleability of the property (e.g. dwelling should be completed within a specified timeframe without any restrictive buy back clause, restrictions around signboards, conditions to comply with common design guidelines, vendor buy back rights at the original contract price).
- c. Any construction – “as if complete” valuation where the contract terms and conditions are immaterial during the construction period (e.g. requirements to commence construction within a specified timeframe, requirements to complete construction by a specified timeframe, house and land package with requirements to use a specified builder).

A critical encumbrance, caveats on the Title and /or conditions of a contract of sale may include but are not limited to:

- d. Any restriction where failure to comply with conditions triggers a percentage buy back clause or buy back at land value prior to completion of the dwelling.
- e. Any vacant land valuation where the Contract of Sale is materially conditional post settlement (e.g. a condition where a building contract must be entered into, onerous restrictions on re-sale as vacant land).

Should either a General or Critical Restriction be known the Valuer must:

- f. Identify, describe and make comment on the impact in the Additional Comments section of the report regarding the restriction of resale.
- g. Raise the Risk Rating for ‘Land (including planning, Title)’ and ‘Market Segment Conditions’ (if applicable) to a minimum 3 for a General Restriction and a 4 for a Critical Restriction.
- h. Trigger a VRA1 for a Critical Restriction.
- i. 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.

3.10.3. Restrictions for Vacant Land Valuations

Where vacant land is not re-saleable at the date of valuation or at settlement of the land as vacant land in the open market the Valuer should **not complete** the valuation report and the instruction should be referred back to the instructing party/client. Circumstances may include but are not limited to:

- a. The tenure of the property does not permit the assessment of a land value.
- b. Any immediate development works and/or common areas will not be completed prior to settlement or are not bonded.
- c. Land is encumbered by specific condition(s)/covenant(s) on title which restricts independent development of and /or construction upon the subject land in isolation.

3.11. Transactions without a Real Estate Agent and / or Not at Arm’s Length Sale

If known, provide comment when the current sale or transfer 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.

4. SALES EVIDENCE

4.1. Providing sales evidence

Valuers should use the most relevant observable market sales (or transactions) and must perform analysis to evaluate their suitability and their appropriateness for inclusion in the valuation report. 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. 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 to confirm the status of the transaction.
- b. A 'new property' is property, which has not been sold previously (e.g. developer sale).
- c. A 're-sale' is a sales transaction after the sale of the 'new property'.

4.2. Mandatory Requirements

- a. Each valuation report must include three settled re-sales.
- b. For any valuation of 'new property' a minimum of three (3) settled re-sales external to the development or stage are to be provided.
- c. Status of sales evidence must be reported, when the sale transaction is:
 - i. Agent's advice/Unsettled; and/or
 - ii. New/developer.

Note	When evaluating the suitability of a sale for inclusion in a report, the Valuer should undertake appropriate analysis, which could include investigating the transaction to allow the Valuer to develop a reasonable understanding of the sale. The Valuer should also consider any restrictions on the use of the property or its saleability, the method of sale or any unusual transaction terms and conditions (for example, incentives or rebates) which may warrant adjustments or exclusion as evidence.
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4.3. Other Requirements

Ideally, the sales evidence utilised in the valuation report should be:

- a. Within six months of the date of valuation; and
- b. Within 15% (plus or minus) of the assessed market value; and
- c. Of a similar type, location, age, condition, size, etc.; and
- d. Be listed from lowest to highest sale price.

Where the above requirements for sales evidence is unavailable, the Valuer should provide explanatory comments in the Additional Comments section.

4.4. “Agents Advice”/Unsettled Sales

“Agents Advice” and/or “Unsettled Sales” should only be included in addition to the three settled re-sales. Additional commentary in respect to these sales, such as their source, may be provided.

Agents Advice/Unsettled sales evidence must be clearly identified in the valuation report and may be recorded in the “Sales Evidence & The Market” section.

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.

5. LAND, TITLE & ZONING

5.1. 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).

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

5.2. Land Locked Property

If the property does not have legal access (i.e. land locked), the property is considered to be "unsuitable / out of scope". **Do not proceed with the valuation and advise the client.**

5.3. Access

The Valuer should describe access and any access issues.

If the property does not appear accessible via an all-weather road or has other possibly adverse characteristics, the Valuer should provide appropriate commentary in the Land section of the report and raise the appropriate Risk Rating.

5.4. Title details

Unless otherwise agreed or instructed, the Valuer is not required to search a Certificate of Title. However, the Valuer should recommend (within the Additional Comments section) 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.)

5.5. Zoning, Town Planning Regulations & Use

The Valuer should consider and comment on any planning issues relevant to the subject property. Specifically, the Valuer should:

- a. State the current zoning and planning instrument; and

With respect to Zoning Effect, the Valuer should consider and comment on the following where known:

- b. Confirm the current zoning permits single residential property.
- c. Indicate if the existing residential use is non-conforming and appears to be preserved by existing or continuing use rights.
- d. Comment on any adverse effect (or potentially adverse effect) of the current zoning.
- e. Highlight any proposed zoning changes that the Valuer is aware of that will directly or indirectly affect the property.

- f. Identify any part of the property that appears as though it is not being used for its designed purpose.
- g. Highlight any use, observed structures or improvements that may not be appropriately approved.

The Valuer should **not complete** the valuation report and the instruction should be referred back to the instructing party/client in the following cases:

- h. vacant land for which a single dwelling is a 'discretionary use'
- i. a property for which a residential use is performance based.

6. IMPROVEMENTS

6.1. General

The Valuer should:

- a. Fully inspect all improvements; both internally and externally in line with normal industry practices for a PropertyPRO mortgage lending product.
- b. If the Valuer is unable to access a portion of the improvements, the Valuer should provide appropriate qualifications and explanation of assumptions made in the Additional Comments section of the report. However, if the inspection of the inaccessible area is considered by the Valuer to be of critical relevance to the valuation, **do not proceed** with the valuation. The valuation instruction should be referred back to the instructing party.
- c. List outdoor areas, car parking and storage areas separately.
- d. Highlight any additions and/or alterations which are apparent.
- e. Highlight any structures or improvements that may not be council approved.

6.2. Units / Apartments

The Valuer must (where known):

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

6.3. Essential Repairs

Essential Repairs are any observable works required that:

- a. If not carried out, will diminish the structural integrity of the improvements; and/or
- b. Renders the dwelling uninhabitable; and/or
- c. Renders the dwelling 'Not suitable for rent'.

Unless instructed otherwise, any property requiring essential repairs should be valued on an "as is" basis. The essential repairs noted in the report by the Valuer, are described in the Valuer's capacity as a Real Estate Valuer, not as a building cost estimator/expert.

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.

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

Where essential repairs are identified, Trigger VRA 3, apply a minimum Improvement risk rating of 4 and provide descriptive comments explaining what the essential repairs comprise of in the Additional Comments section of the report.

Note	'Not suitable for rent' means that the property is unable to be legally rented as determined by reference to relevant legislation/regulation(s), and/or standards, as at the date of inspection/valuation.
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7. IDENTIFYING ADVERSE RISKS

If the Valuer identifies any material adverse risks affecting the subject property, the Valuer should provide appropriate comments in the Additional Comments section 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 comments and consistent Risk Ratings and VRAs should be triggered.

Adverse Risk may include for example (but is not limited to), any of the following:

- a. Onerous Easements / Encroachments
- b. Environmental hazards
- c. Zoning Issues
- d. Local authority planning / building approval
- e. Onerous (i.e. not considered normal for properties in the area) heritage affectation or preservation orders
- f. Flood / Inundation
- g. Landslip or mines subsidence
- h. Main road acquisition
- i. Pest infestation
- j. Essential repairs or Building defects
- k. A building of three storeys or more that appears to have non-compliant cladding with aluminium composite panels (ACP) or expanded polystyrene (EPS) or similar
- l. Mobile phone tower
- m. Restrictions on access to the property
- n. High voltage transmission lines
- o. Proximity to industrial properties
- p. Railway lines
- q. Airports/flight paths
- r. Correctional facilities
- s. Excessive noise
- t. Critical Restrictions within a Contract of Sale or Transfer

8. VALUATION RISK ALERTS (VRA)

This section sets out the requirements for triggering a VRA and applies to all PropertyPRO report types. (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 explanatory comments to be included.

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

Note: This Valuation Risk Alert (VRA) is to identify predefined risks associated with the property. The criteria below are not to be used to determine 'Suitable / In Scope and Unsuitable / Out of Scope' properties for a PropertyPRO report.

The Valuer should use the '**Suitable / In Scope and Unsuitable / Out of Scope**' section of these instructions to ensure that a property is '**Suitable / In Scope**' before proceeding.

The Valuer should trigger this VRA and provide further explanatory comments if an attribute of the property is something other than strictly residential or is onerous in nature. Examples include:

Category	Example of Property Attributes Where VRA 1 Must Be Triggered
Land, Title & Zoning	i. A single dwelling in a company title building.
Environmental Issues	ii. The property is known (or is currently under investigation) for specific subsidence issues (not general subsidence overlays). iii. The property has known (or is currently under investigation for) contamination. iv. High voltage transmission lines where estimated by the Valuer to be within 50 metres from the nearest boundary of the subject property or over any portion of the land.
Building Materials or Structural Issues	v. Where the Valuer is aware, made aware or becomes aware that the subject property is situated in a building / development where the building has or is suspected to have serious structural or building defects. <ul style="list-style-type: none"> a. Non-compliant cladding has been used (e.g. is either wholly or partially 'clad' with aluminium composite panel (ACP), expanded polystyrene (EPS) or similar products) b. Serious structural defects (e.g. knowledge of or the potential of significant Special Levies due to outstanding structural issues and or knowledge of litigation between unit owners and previous Builders / Developers / Certifiers)
Improvements 'As Is' or Construction/'As if Complete'	vi. The configuration has been altered and use of the property is something other than strictly residential. For example: <ul style="list-style-type: none"> a. A property configured, approved and constructed as dwelling, however, is utilised as a bed and breakfast. b. A three bedroom townhouse located near a university which has been reconfigured to five bedrooms and leased on a per room basis to students. c. An inner city terrace being owner occupied as a primary residence, however the owner is a chiropractor and has converted part of the residence for use as treatment rooms. d. Residential garage converted into a hair salon. vii. A property where the only building improvement is not designed constructed and / or approved as a habitable dwelling but is being utilised as such. Such as

	<p>'Land with Minor Improvements' consisting of a shed or shipping container being used as a dwelling</p> <p>viii. Relocatable and (off site) manufactured homes</p> <p>ix. Dual key units</p> <p>x. A single dwelling in an 'Over 55's' (or other age / ability restricted) development</p> <p>xi. Any property where non-residential income is considered incidental by comparison to the highest and best use as a residential property. For example:</p> <ol style="list-style-type: none"> a. A rural lifestyle or hobby farm where ancillary improvements are currently generating or have an immediate capability to generate non-residential income. <p>xii. As If Complete assessments where:</p> <ol style="list-style-type: none"> a. Constructed on an Owner Builder basis. b. The progress schedule is subject to payment of works off site (such as kit construction). c. The progress schedule payments are on a percentage or trade release rather than a milestone payment schedule. d. Building contracts where greater than 50% (inclusive deposit) of funds are proposed to be released at frame stage or equivalent. e. Progress payments are required at delivery or supply of materials. f. The building contract includes onerous clause/s allowing the builder to increase the contract price. Refer to Section 11.4 for further detail. <p>xiii. Where it is not considered appropriate to apportion the 'As If Complete' assessed market value between land and improvements</p>
Development Potential	<p>xiv. Single Residential properties where the Valuer identifies the potential of or the immediate intent to amalgamate the property with another for development (e.g. the immediate neighbouring properties are owned by the same owner/entity)</p>
Rental, Lease or Agreement	<p>xv. Gross rental return (annual rental assessment divided by assessed market value) is 10% or greater.</p> <p>xvi. Residential Properties subject to non-standard leases. For example:</p> <ol style="list-style-type: none"> a. Suitable/in scope display homes b. DHA leases <p>xvii. Suitable/in scope Student Accommodation or Serviced Apartments</p> <p>xviii. Dwellings that are part of the NRAS Scheme</p>
Critical Restrictions within a Contract of Sale or Transfer	<p>xix. Where the Valuer is aware of any critical restrictions and/or contract terms relating to the re-sale of a property or land in the open market.</p> <p>xx. Properties where the Valuer is aware that it is subject to bonding agreements where civil works and services will not be completed at settlement.</p>

8.2. VRA 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 and provide further explanatory comments, if the assessed market 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. A property situated in a market where demand is low.
- b. A property with an awkward floor plan or unusual design that may limit its appeal.
- c. A property which is not sympathetic to the area or may be an over/under capitalised.
- d. Adverse marketability issues which may include, but not limited to proximity to power lines, main roads, railways, non-residential land uses, contamination, publicly known or visible building defects etc.
- e. High value prestige property where normal market conditions require an extended selling period.

If VRA 2 is triggered, the market history should be provided (when available). This could include:

- f. Comment on marketing history for subject (including days on market).
- g. Provide days on market for sale properties.

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

The Valuer should trigger this VRA and provide further explanatory comments if any of the following apply:

- a. The Valuer has identified Essential Repairs.
- b. A building is partially constructed or is undergoing renovation and there are outstanding works.
- c. A building has sustained significant damage and requires rectification work (e.g. flood or fire damage).
- d. For a PropertyPRO Construction – “As If Complete” valuation only where:
 - i. Construction has already commenced; and / or
 - ii. The building contracts and additional quotes result in a dwelling that still requires Essential Repairs.

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

The Valuer should trigger this VRA if the property is affected by, or adjacent to, a critical adverse risk attributable to any heritage, location or environmental issue/s, which has a significant negative impact on the value of the property.

A general overlay or proximity that is not considered critically adverse, is not applicable.

For example (but not limited to):

8.4.1. Heritage

The property is Heritage listed or is in a Heritage overlay area and this affect is considered to have a critically adverse impact on the value of the property.

8.4.2. Location & Environmental

The property is, has been or will be, critically impacted by an issue that is considered to significantly reduce its value. Examples may include but not limited to the following:

- Heavy Infrastructure e.g. railway sheds operating in a residential location, airport, waste management centres
- Major roadworks/widening
- Unfavourable surrounding development with associated market stigma such as cemeteries, correctional centres, mobile phone towers
- Flood waters through the dwelling
- Coastal erosion
- Extremely high bushfire risk
- Significant pest infestation
- Adverse electrical infrastructure (including but not limited to electrical easements, substations and transmission lines) not identified under another VRA
- Major arterial road with difficult access to property and/or high volume of traffic
- Close proximity to railway lines impacted by heavy services such as freight trains

In situations where a VRA has been triggered, the Valuer should provide specific comments.

9. OTHER REPORT REQUIREMENTS

9.1. Reviewing Documents

The Valuer must:

- a. Review all documentation provided by the instructing party.
- b. Identify which documents have been provided.
- c. Provide comments and identify any relevant findings from these documents.

9.2. Providing additional comments

The Valuer should provide detailed comments that support and expand on the details of the report; especially in relation to any positive or negative attributes impacting on the value / marketability of the property.

Additional Comments should be logical, tailored and relevant for the reader who may not have supporting documents to reference.

Additional comments relating to any VRA triggered or a 3 and greater risk rating must clearly describe the risk, be current and detail any source of information relied upon.

9.3. Recommending Documents to be Sighted by the Client

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

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 the Additional Comments section) that this value is conditional on those documents not disclosing any matters which materially alter the value of the property.

The Valuer should 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 sighting a document is considered to be ‘Critical’.

The Table on the following pages provides examples of “General” versus “Critical” effects on a property.

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>
Site Survey (e.g. Surveyor's Report)	<p>The property is vacant land with clearly defined boundaries.</p>	<p>The site boundaries are not readily identifiable and the Valuer believes the improvements may be encroaching over the adjoining allotment.</p>
Heritage Impact Statement	<p>The property is located in a Historical conservation/preservation area, featuring dwellings of a similar age, design and construction to the subject.</p>	<p>The property is proposed to have additions and alterations and the Valuer suspects the property may be heritage listed.</p> <p>No heritage study has been provided and the works do not appear to have received heritage approval from the appropriate consent authority.</p>

Document Type	General Effect	Critical Effect
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 / Owners 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. Where the Valuer has reason to suspect there are special levies or the property may be subject to defects.
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 and subsidence.
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. Where the building has or is suspected to have serious structural or building defects.
Quantity Surveyor’s Report	The dwelling requires Essential Repairs and the Valuer has not recommended a costing report from a Quantity Surveyor.	The dwelling requires Essential Repairs and the Valuer has recommended a costing report from a Quantity Surveyor. Construction works are being undertaken by an ‘owner builder’ and the Valuer has recommended a costing report from a Quantity Surveyor.
Building Surveyor’s / Certifier’s Report	No observable structural issues are identified.	Observable structural issues are identified
Cladding Assessment Report	The building/development does not appear to be clad in accordance with the API Valuation Protocol	The building/development: <ul style="list-style-type: none"> • appears to be clad; or • is known to be clad; or • has non-compliant cladding known to be present

9.4. 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 include detailed commentary on:

- what has been changed and why,
- documents and/or evidence provided or sought that supports the amendment (where applicable)

A summary of the changes should be included as the **first comment** of the ‘Additional Comments’ section and include the date of the amendment.

If a report has been amended on multiple occasions, the most recent amendment should appear first within the additional comments followed by earlier amendments.

Note	Example amendment comment: AMENDED REPORT (DD/MM/YYYY) This report has been amended with changes to xxxxxx to after considering xxxxx
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Amended Reports are to be issued in accordance with the PropertyPRO Supporting Memorandum. All amended reports must be countersigned by a CPV who is appointed by the valuation firm to act as counter-signatory.

9.5. Photographs

9.5.1. Photographs – General Requirements

Photographs taken by the Valuer at the time of inspection should be time and date stamped. If this function is not available on the camera, the Valuer must provide comments in the Additional Comments section of the report setting out the time and date that the photographs were taken.

Photographs taken by the Valuer should provide an adequate depiction of all built structures on the land and any positive or negative features impacting the subject property.

If the Valuer is unable to comply with the minimum requirements outlined in this section (9.5); the report must contain specific comments including:

- a. The reason for not complying with the photographic requirements.
- b. 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 only acceptable if they are in addition to the minimum photo requirements. They are to be clearly identified as such.

9.5.2. Photographs – Existing Properties

The report should contain a minimum of five colour photographs of each occupancy, taken by the Valuer at the time of inspection, including but not limited to:

- a. Front of the main improvements
- b. Rear of the main improvements
- c. Kitchen(s)
- d. Bathroom(s)
- e. 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 (e.g. view, swimming pool, structural defects to the improvements, current building/renovation works, exclusive use rights area etc.).

9.5.3. Photographs for Construction Valuations

The report should include a minimum of two colour photographs 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.

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.

9.5.4. Photographs of Two Existing Dwellings on One Title

The report should contain sufficient photographs of the subject property to satisfy the photo requirements for each dwelling as per paragraph 9.5.2.

9.5.5. Photographs of Land with Minor Improvements

The report should include a minimum of two colour photographs of the subject land and any improvements taken by the Valuer at the time of inspection. Sufficient photos should be included to assist in identifying any positive or negative features affecting the subject property.

9.5.6. Photographs of Vacant Land

The report should include a minimum of two colour photographs of the subject vacant land taken by the Valuer at the time of inspection. Sufficient photos should be included to assist in identifying any positive or negative features affecting the subject property.

9.5.7. Photographs for Progress Inspection Reports

The report should include a minimum of two colour photographs, taken by the Valuer at the time of inspection, 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 (9.5.2).

10. VACANT RESIDENTIAL LAND

10.1. General Principles

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.

For a Valuer to provide a vacant land valuation, the land must:

- a. Have legal access, either built, or to be built under a bonding or contractual arrangement.
- b. Have services connected or to be connected under a bonding or contractual arrangement.
- c. Be resaleable in isolation in the open market. Circumstances may include but are not limited to:
 - i. The tenure of the property permits assessment of a land value
 - ii. Any immediate development works and/or common areas will be completed prior to settlement or are not bonded.
 - iii. Land is not encumbered by specific condition(s)/covenant(s) on title which restrict independent development of and/or construction upon the subject land in isolation.

If the vacant land does not satisfy the above, do not proceed with the valuation. The valuation instruction should be referred back to the instructing party.

When valuing vacant residential land, the Valuer must:

- d. 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'.
- e. Refer to relevant Sections of 3.9 and 3.10 if applicable
- f. Note the surrounding area and identify any adverse characteristics which have an impact on the marketability and value. (Refer to the section 'Identifying Adverse Risks')

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

The Valuer must:

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

As the Certificate of Title is not yet issued, for the subject land, as at the date of valuation, the Valuer must value the property "As If Complete" and clearly indicate the reasons for this in the report.

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

The Valuer must:

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

11. CONSTRUCTION – “AS IF COMPLETE” VALUATIONS

11.1. Construction Valuations – General Requirements

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

A Construction valuation is instructed and completed on an ‘As If Complete’ basis and provides the market value of the proposed improvements assessed on the assumption that all construction has been satisfactorily completed in accordance with the plans and specifications provided and that the occupancy certificate (or equivalent) has been issued.

The valuation assumes that the dwelling will be constructed in accordance with the approved plans, the Building Code of Australia to trades standards and that all necessary final certificates will be issued on completion.

The valuation reflects the Valuers view of the market conditions existing at the date of inspection/valuation and does not purport to predict the market conditions or the value at the actual completion of the improvements.

The Valuer should however be indicating construction risk(s) as indicated in the relevant sections below.

11.2. Construction Documents

(See also section below ‘**Additional Requirements for Owner Builder Construction Valuations**’)

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

- a. A copy of an executed fixed-price home building contract, including any variations; and
- b. A schedule of proposed finishes and specifications; and
- c. 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:

- d. A copy of a draft building contract, or formal tender; and
- e. A schedule of proposed finishes and specifications; and
- f. 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.

11.3. Noting Construction Documents

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

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

11.4. Building Contract, Check Costs and Drawdown Schedule Requirements

The Valuer should:

- a. 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).
- b. 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.
- c. Where the instructing party provides a Costing Report or Quantity Surveyor's report the Valuer should include a comment as to what has been provided and relied upon.
- d. If available (and based on the documentation provided) comment on whether the drawdown schedule is within legislative / industry parameters and on what basis payment drawdowns will be released (i.e. stage / milestone or trade / monthly releases etc.). If the drawdown schedule / basis of drawdown is not within legislative / industry parameters, provide comments in the Additional Comments section of the report to explain the variance.
- e. If available (and based on the documentation provided) comment when the total of Prime Cost & Provisional Sum items makes up more than 10% of the Building Contract and apply an Improvements risk rating of 4.

If the proposed Building Contract or drawdown schedule indicates any of the following:

- f. The progress schedule is subject to payment of works off site (such as kit construction).
- g. The progress schedule payments are on a percentage or trade release rather than a milestone payment schedule.
- h. Greater than 50% (inclusive deposit) of funds are proposed to be released at frame stage or equivalent.
- i. Progress payments are required at delivery or supply of materials.
- j. The building contract includes onerous clause/s allowing the builder to increase the contract price – refer to Note box below.

Trigger VRA 1, apply an Improvements risk rating of 4 and provide detailed explanatory comments in the Additional Comments section of the Report.

Note	<p>In reference to 11.4 j - DO NOT trigger VRA 1 if the clause/s allowing the builder to increase the contract price are for:</p> <ul style="list-style-type: none">• Prime Cost Items, or;• Provisional Sums, or;• Standard clauses contained within an industry recognised standard form building contract, or;• Cost escalation clauses resulting from delayed commencement <i>which</i>:<ul style="list-style-type: none">○ are considered incidental, or;○ gives the client the right to rescind the contract.
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11.5. Additional Quotes (out of contract items)

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

- a. Only rely on formal quotations/tenders/contracts from third party contractors (i.e. Not the owner).
- b. Only utilise “out of contract” items if they pertain to fit-out and/or ancillary improvements.
- c. Clearly identify the “out of contract” items within the valuation report and list them separately in the Additional Comments section. The nature of work, tender amount and name of the contractor should be noted.
- d. Provide a total price for ‘Out of Contract Items’.

11.6. Building Contracts (including Additional Quotes) that result in a dwelling that requires Essential Repairs.

Where the proposed construction per the Building Contract and any Additional Quotes, that results in a dwelling requiring Essential Repairs, the Valuer should:

- a. Provide an ‘As If Complete’ valuation assessment based upon the documentation provided.
- b. Clearly detail the item(s) that are required to complete the dwelling.
- c. Note the impact on saleability.
- d. Trigger VRA 3, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

11.7. Additional Requirements for Owner Builder Construction Valuations

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

- a. Scaled plans (with dimensions)
- b. Quotations from all subcontractors (including proposed finishes and specifications) and/or
- c. Quantity Surveyor’s Report

Where the above minimum documents have not been provided or 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.

When undertaking the report, the Valuer should:

- d. Identify in the report that this is an “owner builder” scenario.
- e. Describe the works in the formal quotations provided by the lender/client.
- f. Confirm whether the formal quotations will result in a complete dwelling.
- g. Report the total cost of construction based on the formal quotations sighted.
- h. Note Council approvals; including the development approval number (or equivalent) and indicate the date that council granted development consent, when provided.
- i. If required, recommend that a Quantity Surveyor’s Report to be sighted by the instructing party.
- j. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.
- k. When the owner and sub-contractor/builder are the same person/s or not at arm’s length, elevate Improvement risk rating and provide explanatory comments in Additional Comments section of the Report.

11.8. Split Contracts for Multiple Dwelling Residential Developments

The Valuer must first determine whether the property is part of a proposed Multiple Dwelling Residential Development.

A split contract can occur due to conditions (or lack of) within a land contract, during construction that is not in line with approvals, or due to conditions within the multiple dwelling approval/permit stages that would restrict an owner's ability to build or occupy the subject property in isolation of its neighbouring properties.

Note	For single 'house and land' packages with separate land and building contracts the Valuer should refer to Section 11.1 of these Standing Instructions (Construction – as if complete).
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Where the property is part of a multiple dwelling residential development lenders require Valuers to apportion the "As If Complete" assessed market value between land and improvements only when the following conditions are met:

The Land

The land must be re-saleable as a vacant allotment in the open market at the date of valuation or settlement of the land contract. Considerations include but are not limited to:

- a. The tenure of the property must permit apportionment of a land value.
- b. Any immediate development works and/or common areas will be completed prior to settlement or are bonded.
- c. Land is not encumbered by specific condition(s)/covenant(s) on title which restrict independent development of and /or construction upon the subject land in isolation.

Independent construction

The proposed dwelling must not be attached or dependant in any way on the adjoining property/s. Considerations include but are not limited to:

- d. The dwelling is, or is proposed to be, built on the land independently from other dwellings, including adjacent/adjoining property(s).
- e. The entire structure of the proposed dwelling is within the boundary of the subject land (i.e. no common walls, footings, slab or ridge capping between adjoining rooflines).

Multiple dwelling approval/permit construction and occupancy conditions

The dwelling approval/permit allows independent construction and occupation. Considerations include but are not limited to:

- f. The dwelling can be constructed and occupied independently e.g. the planning or building approval/permit enables construction and occupation prior to the completion of other parts of the immediate development (such as other dwellings, roadways, common landscaping etc.).
- g. The land is legally accessible and serviced, either built, or included in bonding or contractual arrangements.

Apportionment between land and improvements

Only where the Valuer is satisfied that the above conditions have been met, the market value of the property **can be** apportioned between the land and improvements.

The Valuer must;

- h. Clearly identify whether the property has any additional risk/s under the land contract (if applicable), during construction or prior to individual occupation.
- i. Comment on the proposed multiple residential development e.g. the proposed subject property will be one (1) in a row of twelve (12) dwellings/lots to be constructed by the same builder etc.

No apportionment between land and improvements

Where the Valuer is satisfied that the above conditions have **not** been met, the market value of the property **cannot be** apportioned between the land and improvements.

The Valuer must;

- j. Only provide a single figure assessment of market value on an "As if Complete" basis.
- k. Provide an estimated completion date (if known).
- l. Trigger VRA 1, apply appropriate risk ratings and provide specific comment regarding condition/s not met and any other inherent risk/s.

12. OTHER PROPERTY TYPES

12.1. Specific Requirements

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

- Residential Property with development potential
- Two Dwellings on one Title
- Residential Property subject to standard leases
- Residential property subject to non-standard leases
- Purpose built student accommodation & serviced apartments
- A single dwelling in an 'Over 55's' (or other age / ability restricted) development
- Relocated and Manufactured Homes
- A single dwelling in a Company Title development
- Residential property subject to a National Rental Affordability Scheme (NRAS) Agreement
- Rural Lifestyle and Hobby Farms

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.

12.2. Residential Property with Development Potential

12.2.1. Suitable / In Scope

A property with development potential, for subdivision into two or more 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 within the local market.

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

- a. Highest and best use is not for subdivision.
- b. Does not have a current development application or approval; and
- c. 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
- d. Can be valued by the direct comparison method and supported by sales evidence of similar 'suitable / in scope' properties.

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

12.2.2. Unsuitable / Out of Scope

A property with development potential for subdivision into two or more allotments will be considered 'unsuitable / out of scope', if any of the following apply;

- a. Has a development application or approval in place for subdivision; or
- b. Appeals only to the developer market and not to the local owner occupier / investor residential market; or
- c. Cannot be valued using the direct comparison method using sales evidence of 'suitable / in scope' properties; or
- d. The highest and best use of the property is for subdivision as at the date of valuation.

12.3. Two Dwellings on one Title

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

- a. Take into account the conditions for ***'Residential Property with Development Potential'*** outlined above; and (if appropriate to proceed on PropertyPRO)
- b. Value the property as a whole; and
- c. Describe the details of each dwelling separately, including accommodation, areas and car accommodation; and
- d. Provide a separate rental assessment for each dwelling in the Comments section of the report; and
- e. 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 approach and methodology that results in the highest and best use / market value for the subject property.

If instructed to value two dwellings on one Title, either existing or 'as if complete', where the highest and best use is not for subdivision, the request is only 'suitable / 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 "unsuitable / out of scope". **Do not complete the valuation** and refer the valuation request back to the instructing party.

12.4. Residential Properties Subject to Standard Leases

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

- a. Assess the market value subject to vacant possession; and
- b. Note in the Additional Comments section the passing rent and expiry date of the lease (if known).

12.5. 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:

- a. Assess the market value, subject to the existing lease.
- b. Provide an additional assessment of market value subject to "vacant possession" in the Additional Comments section of the report.
- c. Sight the lease and note any onerous conditions. Indicate whether the lease has been executed.
- d. Note the terms of the lease in the Additional Comments section of the report (e.g. the commencement date of the lease, passing rent, the term and option periods, rent review, etc.).
- e. Indicate any adverse impact to marketability the lease may have on the property.
- f. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

12.5.1. Display Homes

Display Homes are considered “Suitable / 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 “Unsuitable / Out of Scope” for a PropertyPRO report.

12.6. 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 “Unsuitable / Out of Scope” and requires an “in use” valuation.

If the property is able to be permanently occupied, it is “Suitable / In Scope” and the Valuer should:

- a. Value the property on a “vacant possession” basis.
- b. Confirm the terms for which the property can be removed from the letting pool or management agreement.
- c. Exclude the value of any furniture.
- d. Provide an assessment of market rental subject to standard residential terms.
- e. 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.
- f. Outline the terms of the lease / agreement.
- g. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

12.7. A single dwelling in an ‘Over 55’s’ (or other age / ability restricted) development

A restricted occupancy property has its own title and is traded as a real estate transaction. The occupation and / or ownership is subject to restrictions that may relate to age or physical ability. The most common type is an age restriction for over 55’s, however there may also be other restrictions that relate to age / ability).

Note:	This description does not apply to retirement villages, mobile home parks and other situations where individual titles are not issued (these are therefore “Unsuitable / Out of Scope” for a PropertyPRO report).
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The Valuer should:

- a. Outline the restrictions on occupancy / ownership.
- b. Utilise sales evidence of dwellings that are also impacted by similar restrictions and identify them accordingly.
- c. Raise the Risk Rating for ‘Market Segment Conditions’ as per the PropertyPRO Supporting Memorandum (to reflect the restricted market segment).
- d. Trigger VRA 1 and provide explanatory comments in the Additional Comments section of the report.

12.8. Relocatable and (off site) Manufactured Homes:

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.”

When reporting on and assessing the value of a property with improvements built off-site, the Valuer should establish whether the improvements form part of the land. Relocatable homes, which are mobile and provide ongoing transportability, will be excluded from the valuation assessment whereas permanently affixed structures are to be included.

Where the request is for a PropertyPRO construction report, refer to the **Construction - ‘As If Complete’ Valuations section**. The Valuer should ensure that the proposed dwelling meets the requirements of **‘Dwellings Permanently Affixed to the Site’** as outlined below and confirm whether services are connected based on the documentation provided.

The construction valuation should include comments regarding any progress payment/drawdown schedule, and confirm that progress payment inspections will not be undertaken until the dwelling is permanently affixed to the site.

Where payments are proposed for works not completed on site (off site pre-fabrication, sourcing/procurement of materials etc.) the Valuer must:

- a. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the report

A property where the dwelling is identified as relocatable and / or manufactured prior to delivery to the site is in “Suitable/In Scope” for PropertyPRO, however a critical consideration is whether the dwelling is permanently affixed to the site as this will determine the correct basis of valuation:

12.8.1. Dwellings Permanently Affixed to the Site

The value of such dwelling improvements should be included within the assessment where the improvements:

- a. are permanently affixed to the site; and / or
- b. are approved as a permanent habitable dwelling; and / or
- c. cannot be demolished or removed from the site without development approval.

When determining whether the built improvements are permanent it is important to also have regard to the relevant local planning schemes and approvals as different planning schemes have different definitions of relocatable and permanent dwellings.

With these types of homes, the Valuer should:

- d. Comment on the prevalence and market acceptance of similar dwellings in the locality and market.
- e. Provide a full description of any such improvements in the (Section 5) of the report.
- f. Provide detailed comments on the degree of attachment of the improvements to the land and any relevant approvals.
- g. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

If permanency cannot be confirmed the Valuer should exclude the improvements from the assessment as per the ‘Not Permanently Affixed to the Site’ section below.

12.8.2. Dwellings Not Permanently Affixed to the Site

The value of such dwelling improvements should be excluded from the assessment on the basis that the lack of permanent affixing to the land means that they are a chattel rather than real property. (i.e. the property should be assessed as vacant land), where the improvements:

- a. are not permanently affixed to the site (e.g. mobile or relocatable homes); and / or
- b. are not approved as a permanent habitable dwelling; and / or
- c. are designed to be relocated; and / or
- d. can be demolished or removed from the site without development approval.

When determining whether the building improvements are permanent, it is important to also have regard to the relevant local planning schemes and approvals as different planning schemes have different definitions of relocatable and permanent dwellings. If permanency cannot be confirmed then it should not be assumed and the Valuer should exclude the improvements from the assessment.

The Valuer should:

- e. Provide a description of any such improvements in the Additional Comments section of the report including detailed comments on the degree of attachment of the improvements to the land and any relevant approvals.
- f. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

12.9. A Single Unit / Apartment in a Company Title Building

If instructed to value a single unit / apartment in a Company Title Building, the Valuer must:

- a. Sight a copy of the Certificate of Title and provide a comment to confirm ownership of the building by the company to which the shares relate.
- b. 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.
- c. 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.
- d. 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:

- e. Ensure that the interest valued is "Shares in a Company Title Building".
- f. Include sales evidence that are clearly identified as company share transactions where possible.
- g. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

12.10. 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:

- a. Note that the property is subject to an NRAS Agreement.
- b. Assess the market value on a vacant possession basis.
- c. Note in the Additional Comments section the passing rent and expiry date of the lease (if known).
- d. Trigger VRA 1, apply appropriate risk ratings and provide explanatory comments in the Additional Comments section of the Report.

12.11. Rural Lifestyle and Hobby Farms

If instructed to value a rural lifestyle property/hobby farm the Valuer should determine whether or not the property is suitable for a PropertyPRO report.

Vacant lifestyle land will typically be incapable of generating a self-sustaining income and will have a primary purpose of being a single residential dwelling-site.

The property must have all of the following characteristics to be suitable / in scope for PropertyPRO:

- a. The land area is twenty (20) hectares or less.
- b. The highest and best use of the property is residential.
- c. A dwelling entitlement.
- d. The most likely purchaser would focus on the property's suitability as a place to live rather than its suitability for any agricultural use.
- e. Any income producing capacity of the property is considered incidental by comparison to residential use.

Where any of the following characteristics are present, the property is unsuitable / out of scope for PropertyPRO:

- f. The land area is greater than twenty (20) hectares; or
- g. The highest and best use of the property is not residential; or
- h. Vacant land that does not have a dwelling entitlement; or
- i. If land value is linked to productive / income capacity and the property would trade based on these units; or
- j. If the farming enterprise is of a scale that requires full-time management; or
- k. If the property is used for any other non-residential use.

Note:	The value of water licence(s) or equivalent that may be sold independently from the property must not be included in the assessed market value. This does not include 'stock and domestic' water allocation which is tied to the land to enable it to be used as a rural lifestyle / hobby farm property.
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13. PROGRESS INSPECTION REPORTS

13.1. Progress Inspections – General Requirements

The Valuer should:

- a. Inspect the subject property both internally and externally.
- b. Confirm that construction to date is in accordance with the approved building plans.
- c. Confirm the stage claimed on the builder's invoice has been affixed/completed (as per the contract between the builder and the borrower).
- d. Comment if work has progressed beyond the stage being claimed.
- e. Indicate the Balance to Contract (otherwise known as Cost to Complete) in accordance with the progress payment schedule set out in the building contract.
- f. If instructed and where applicable, detail 'out of contract items' included in the Construction Valuation in the 'out of contract' section of the report including a description of the works completed and cost to date.

Note	<p>The Valuer must (where applicable):</p> <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.• Not confirm part payment of a stage (where the stage is not fully affixed/complete)• Provide photographs of any works that have been deemed incomplete.• Where there are variations to the building contract or changes to the plans that were not taken into account in the original construction valuation, the Valuer should complete the progress inspection report but may leave the cost and payment summary section of the report empty. In these situations the Valuer must:<ul style="list-style-type: none">○ Provide photographs and comments detailing what works have been completed; and○ Provide comments outlining what the post valuation variations are, what they relate to, and the difference in the cost of the project.○ Highlight any pertinent changes from plans provided with original construction request
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13.2. Issuing the First Progress Inspection Report

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

- a. The executed building contract.
- b. The agreed schedule of finishes and specifications.
- c. 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 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 Construction – “As If Complete” valuation.

13.3. Issuing Final Progress Inspection Reports

When issuing final progress payment reports, the Valuer should:

- a. Confirm whether final certification has been sighted by the Valuer (for example, the Occupation Certificate, Final Inspection Certificate or equivalent).
- b. Indicate if any prime cost items or minor works are still to be installed at handover
- c. If the final stage has not been fully completed at the time of inspection (except for installation of prime cost items or minor incomplete works), complete the Progress Inspection report (i.e. not a Final Inspection report) considering the last completed stage and provide detailed commentary on the incomplete works.

13.4. Issuing Amended Progress Inspection Reports

When issuing any amended Progress Payment Inspection Report, the valuer must follow the same instruction provided for a PropertyPRO report - refer to section 9.4 'Issuing Amended Reports'.

14. RESTRICTED ASSESSMENTS

14.1. Preamble

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. In the event of any inconsistency, the provisions of the API Restricted Assessment Supporting Memorandum shall prevail.

If the Valuer is unable to complete the Restricted Assessment, the Valuer should recommend whether a PropertyPRO report (or other appropriate report type) be prepared. Where such a recommendation is made, the Valuer should also note the main reason for the recommendation.

As part of the restricted assessment, the Valuer should:

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

14.2. Suitable / In Scope

- a. A single house or dwelling.
- b. A single home unit, villa or townhouse in a Strata or Community Plan.
- c. A dual occupancy property (e.g. two units on one title).
- d. A vacant allotment on which the construction of a single residential dwelling is permissible.
- e. A property less than two (2) hectares in size.
- f. 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.

14.3. Unsuitable / Out of Scope

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

- a. Where the Value Component is "As If Complete" (i.e. both construction and title not registered).
- b. A residential dwelling that appears to be in poor / uninhabitable condition.
- c. A residential dwelling that is not permanently fixed to the site.
- d. A property for which a residential use is not permissible under the current planning controls.
- e. New developments (including new land subdivisions).
- f. A property two (2) hectares or greater in size.
- g. Property with development application or approval for subdivision.
- h. Property where the highest and best use appears to be for subdivision.

- i. Student accommodation.
- j. Retirement villages, hostels and aged care units.
- k. Hotel / motel style apartments.
- l. Serviced apartments subject to a management agreement or planning control that restricts its use for permanent occupation.
- m. Serviced apartments subject to a leaseback agreement.
- n. Boarding houses.
- o. Bed and breakfasts.
- p. Properties with three or more dwellings (houses, flats, units and villas) over one title.
- q. 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).
- r. Rural property that is income-producing.
- s. Water licences (or equivalent) with rural property.
- t. Properties used for non-residential purposes.
- u. Display homes.
- v. Unique residential properties or those falling within upper market levels.

14.4. Photographs for Restricted Assessments

The report should include a colour photograph of the subject property taken by the Valuer without entering the property, from a point or points near the property's legal frontage.

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

Photographs taken by third parties or from third party websites are only acceptable if they are in addition to the minimum photo requirements. They are to be clearly identified as such.